

Queensland Bauxite Limited

ABN 18 124 873 507

and Controlled Entities

Annual Financial Report

For the year ended 30 June 2013



CONTENTS

Corporate Directory.....	1
Schedule of Mineral Tenements as at 30 June 2013.....	2
Directors' Report	3
Remuneration Report – Audited	21
Corporate Governance Statement	26
Auditor's Independence Declaration.....	33
Financial Statements	34
Notes to the financial statements for the year ended 30 June 2013.....	38
Directors' Declaration.....	67
Independent Auditors' Report.....	68
Additional Information - as at 12 September 2013.....	70

Corporate Directory

Directors

Pnina Feldman
(Executive Chairman)

Sholom Feldman
(Executive Director, CEO)

Paul Stephenson
(Non-Executive Director)

Russell Williams
(Non-Executive Director)

David Austin
(Alternate Director)

Company Secretary

Sholom Feldman

Registered Office

67 Penkivil Street
BONDI NSW 2026

Telephone: (02) 9291 9000

Facsimile: (02) 9291 9099

Email: mlesaffre@queenslandbauxite.com.au

Auditors

Nexia Court & Co, Chartered Accountants
Level 16
1 Market Street
Sydney NSW 2000

Telephone: (02) 9251 4600

Bankers

National Australia Bank
Law Courts Branch
75 Elizabeth Street
Sydney NSW 2000

Share Registry

Computershare Investor Services Pty Limited
Level 2, Reserve Bank Building
45, St George's Terrace
Perth WA 6000

Telephone: (08) 9323 2000

Stock Exchange Listing

The Company is listed on the Australian
Securities Exchange Ltd (ASX).

Website

www.queenslandbauxite.com.au

Australian Securities Exchange Code:

QBL

Schedule of Mineral Tenements as at 30 June 2013

Project Name			Interest Held %
Pilbara Gold Project			
Pilbara	E47/1153	Granted	100%
Lost River Project			
Lost River	EL7409	Granted	100%
Eastern Australia Bauxite Projects			
Bukkulla	ELA4840	Application	100%
Emmaville	ELA4841	Application	100%
Inverell west 1	EL 7274	Granted	70%
Inverell west 2	EL 7275	Granted	70%
Inverell west 3	EL 7276	Granted	70%
Inverell west 4	EL 7277	Granted	70%
Inverell west 5	EL 7278	Granted	70%
Boyne (expired 27 July 2013)	EPM19067	Granted	100%
Four Mile (expired 28 July 2013)	EPM19073	Granted	100%
Nanango (expired 27 July 2013)	EPM 19068	Granted	100%
Boondooma (expired 26 August 2013)	EPM 19233	Granted	100%
Blackbutt E (cancelled 26 August 2013)	EPM 19069	Application	100%
Googa Googa (cancelled 26 August 2013)	EPM 19072	Application	100%
Atherton	EPM 18138	Application	100%
Ravenshoe	EPM 18140	Application	100%
Regius Coal Mozambique			
Tete Province Mozambique	EL 4169	Granted	Right to earn up to 51% of 85%
East Tete Province	EL 4070	Granted	Right to Earn up to 51% of 80%

Directors' Report

The Directors present their report together with the consolidated financial statements of the Group comprising Queensland Bauxite Limited ("the Company" or "QBL") and its subsidiaries, for the financial year ended 30 June 2013 and the independent auditors report thereon.

Directors

The names and details of the Company's Directors in office during the financial year and until the date of this report are as follows. Directors were in office for this entire period unless otherwise stated.

Names, qualifications, experience and special responsibilities

Pnina Feldman **Executive Chairman**

Pnina Feldman has been active in the mineral exploration industry for 18 years, in which time she has shown much tenacity in sourcing, negotiating and developing exploration and resource projects across Australia, and internationally. She was the founder and executive chairperson of the publicly listed Diamond Rose NL, and was the first woman in Australia to achieve that milestone in the mining industry. Pnina has been successful in negotiating many joint ventures with major companies including BHP and De Beers. Pnina studied Law and Arts at Melbourne University before going to Gateshead, England where she studied teaching, religion and education. She has been the founder and driving force behind, and benefactor to, numerous communal, educational, charitable and women's awareness initiatives, and in 2007 received the Wentworth community award for outstanding community service.

Sholom Feldman **Executive Director, Chief Executive Officer and Company Secretary**

Sholom Feldman has extensive experience in general commercial management, has performed advisory and company secretarial work for both listed and unlisted companies and has managed both private and listed exploration companies. Sholom was general manager of the publicly listed Diamond Rose NL between 1999 and 2005 and is a director and manager of a number of private companies. He has been instrumental in negotiating, financing, developing and managing many exploration projects internationally including the purchase of the Guanaco Mine in Chile from the Canadian Kinross Gold Corporation, and subsequently their Australian gold assets including the Broads Dam Gold Project. Sholom studied at the International MBA program at Bar Ilan University in Israel and has also completed a Company Secretarial Practice and Meetings course with the Chartered Institute of Company Secretaries Australia.

Paul Stephenson **Non-Executive Director**

Paul Stephenson has degrees in law and the arts and is a Partner with the Australian national law firm, HWL Ebsworth Lawyers. He practices in the areas of public and private fundraising, initial public offerings and mergers and acquisitions involving both public and private companies. He has also acted for companies listed in multiple jurisdictions. Paul has wide experience and has acted on behalf of companies in industry sectors covering mining and resources, financial markets, pay TV retailing, mobile telephony, automated teller machines and listed investment companies and trusts, including in relation to other commercial, corporate, fundraising and compliance work.

Russell Williams
Non-Executive Director

Russell Williams is a qualified mechanical engineer with over 30 years' experience in the bauxite and alumina industry, in various roles for Alcoa Inc. In his final three years with Alcoa, Russell was President of Boke Services, the managing company of Company Bauxite de Guinee (CBG) (Alcoa JV), and in that role was responsible for all activity at the operation that ships over 13 million tonnes of bauxite per year. Prior to this role, Russell was involved in all aspects of bauxite production for Alcoa Inc ranging from exploration through to project development and operations. He managed the West Australian bauxite mining operations at the Huntly Mine which in 1999 was producing 11 million tonnes of bauxite per year and is now producing in excess of 23 million tonnes. He then had oversight of all of Alcoa's global mining activity in Brazil, Jamaica and Suriname. During this period he was also responsible for the initial development and growth of the bauxite resource of the Juruti bauxite mine in Brazil which was commissioned two years ago and now ships 4 million tonnes of bauxite per year.

Russell Williams is a director of the ASX listed entity Pluton Resources Limited (PLV) and a Canadian TSX listed company, Navosta Resources Limited (NAV).

David Austin
Alternate Director

David Austin is a solicitor practising in Sydney.

He has spent many years in the corporate world in the computer, aerospace and heavy engineering industries, and worked for the Northern Territory Government in the 1980s when he was responsible for petroleum, energy, and pipeline policy. During a secondment he reviewed the Northern Territory Mineral Royalty Act and devised a new mineral royalty regime which encouraged the development of a number of major mining projects.

Interests in the shares and options of the Company and related bodies corporate

The relevant interest of each Director in the shares or options over shares of the Company and any other related body corporate, as notified by the Directors to the Australian Stock Exchange in accordance with S205G(1) of the Corporations Act 2001, at the date of this report is as follows:

	Ordinary shares	Options over ordinary shares
Pnina Feldman ^{(1) (2)}	4,252,166	65,000,000
Sholom Feldman ^{(1) (2)}	4,252,166	65,000,000
Paul Stephenson	-	-
David Austin	-	-
Russell Williams ^{(3) (4)}	-	700,000

- 1) Pnina Feldman and Sholom Feldman are each directors of L'Hayyim Pty Ltd which holds 4,252,166 Shares in its capacity as trustee of the 770 Unit Trust.
- 2) Pnina Feldman and Sholom Feldman are each directors of Volcan Australia Corporation Pty Ltd which holds 65,000,000 options exercisable at 5 cents each on or before 31 December 2015.
- 3) Russell Williams holds 350,000 options exercisable at 20 cents each on or before 31 December 2014.
- 4) Russell Williams holds 350,000 options exercisable at 30 cents each on or before 31 December 2015.

Share options

Unissued shares under options

At the date of this report unissued ordinary shares of the Company under option are:

Expiry date	Exercise price	Number of shares
30/06/2014	0.25	5,000,000
31/12/2014	0.20	350,000
31/12/2015	0.30	350,000
31/12/2015	0.25	1,000,000
31/12/2015	0.05	65,000,000
02/07/2016	0.03	12,500,000
		84,200,000

These options do not entitle the holder to participate in any share issue of the Company or any other body corporate.

Shares issued on exercise of options

No shares have been issued by the Company, during or since the end of the financial year, as a result of the exercise of options.

Earnings per share

	Cents
Basic earnings (loss) per share	(0.90)

Dividends

No dividends were paid or declared since the end of the previous financial year. The Directors do not recommend a payment of a dividend in respect of the current financial year.

Directors' meetings

The number of meetings of Directors held during the year (including meetings of committees of Directors) and the number of meetings attended by each Director were as follows:

	Board meetings	
	A	B
Pnina Feldman	8	8
Sholom Feldman	8	8
Paul Stephenson	8	8
David Austin	0	8
Russell Williams	8	8

Notes

A = number of meetings attended

B = number of meetings held during the time the Director held office during the year or was a member of the board.

Principal activities

The principal activities of the Group during the year were mineral exploration and identification of potential mining assets for acquisition and development.

There were no significant changes in the nature of the Group's principal activities during the year.

Operating and financial review

Queensland Bauxite Ltd (ASX: QBL) ("QBL" or "the Company") presents the following report on activities for the year ending 30 June 2013.

Highlights of QBL Operations July 2012 to September 2013

- QBL to acquire interests in Mozambique exploration licences prospective for coal;
- Licenses located in the highly prospective Zambezi basin, close to majors such as Vale, Rio Tinto and ENRC;
- Licenses encompass 206km² of which 200km² is underlain with Lower Karoo sediments, the main coal; bearing formation in Mozambique;
- Potential for large deposits of coking and thermal coal;
- Experienced African coal team with strong in-country presence as partners; and
- A \$1.8 million convertible bond facility in place to provide further capital to facilitate the acquisition and for general working capital purposes.

QBL has been focused on defining significant bauxite resources with a view to commencing direct shipping ore (DSO) bauxite mining and export operations, including recently identifying and applying for further prospective bauxite tenements in eastern Australia. In order to take advantage of the current exploration market conditions and resultant opportunities, during the year QBL has also concentrated on reviewing and negotiating a range of new project opportunities to diversify and expand its exploration interests, including advanced commercial and technical due diligence work on these opportunities and in June 2013, the Company signed a binding Term Sheet with Regius Coal Mining Limited. QBL is also assessing options to divest or pursue partners for its secondary gold assets.

Bauxite Projects

The directors have decided to focus its further eastern Australian bauxite exploration efforts and budget over the proven bauxite district surrounding Inverell, where bauxite occurrences have been identified by previous and current explorers. The company has recently focused upon increasing its tenement interests in this prospective region and applied for two licences over prospective bauxite projects in that region (ELA 4840 and ELA 4841) and has secured a 70% interest in large granted tenement holdings surrounding those projects (EL's 7274-7278) by way of joint venture through committing to maintaining the tenements in good standing. Other tenements that a budget is not being allocated towards have been allowed to lapse.

ELA 4840 Bukkulla Bauxite Project (Figure 1)

A 32 unit exploration licence was applied for over an area of a 96 square kms in the vicinity of Bukkulla NSW, previously reported in historical reports to contain bauxite. Tenement selection was based on anomalous Fe-rich targets interpreted on Advanced Spaceborne Emission and Reflection (ASTER) imagery, plus ground-based mapping, surface sample collection and aircore drilling results from previous explorers.

A ten-hole aircore drilling program conducted in 2011 at "The Tor" property spaced over an area of 37.5 ha (in the easternmost unit of ELA 4840) intersected the presence of a bauxite cap of 2m average thickness.

Queensland Bauxite plans to carry out further drilling on the ASTER targets within this licence.

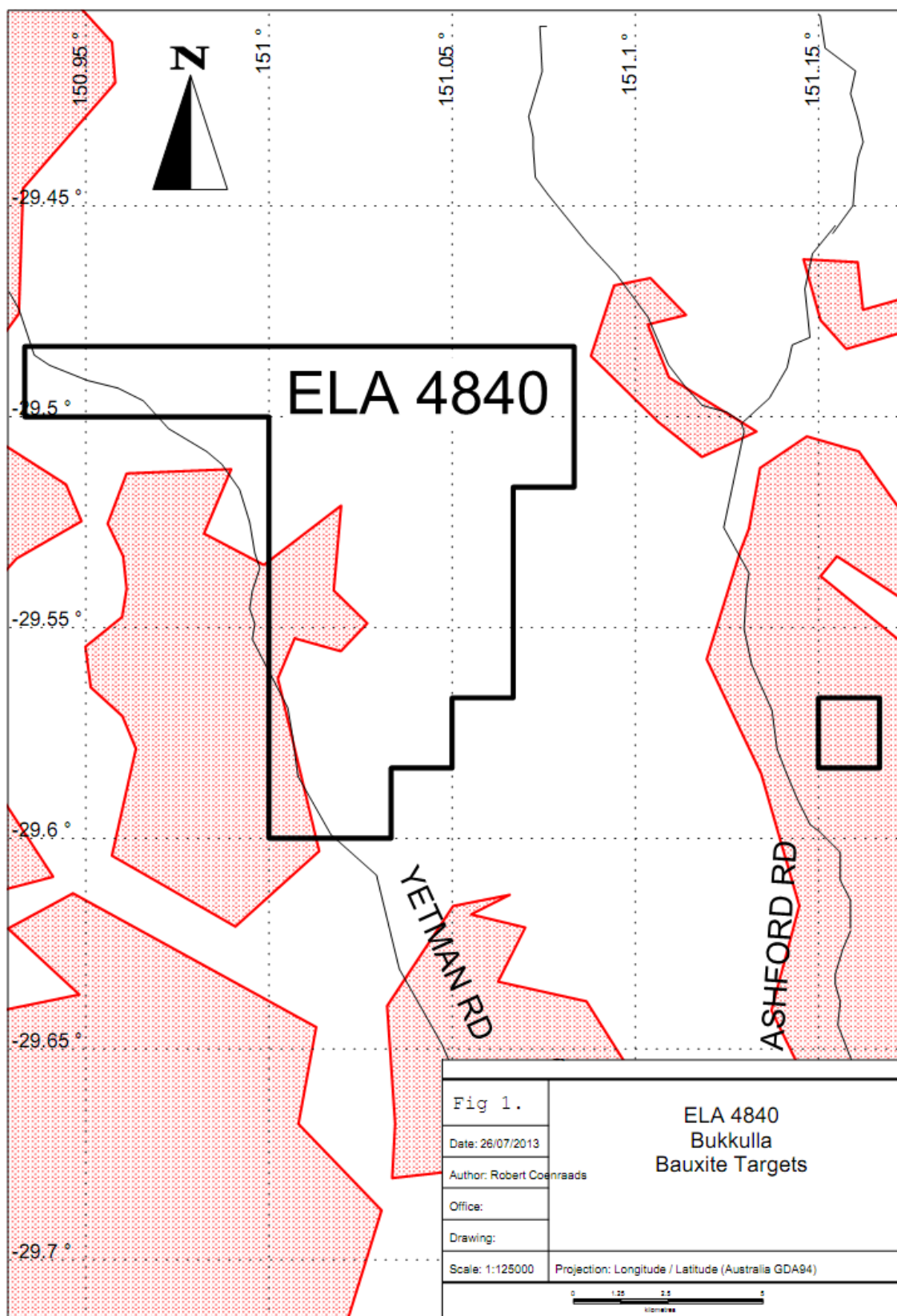


Figure 1

ELA 4841 Emmaville Bauxite Project (Figure 2)

A 125 unit exploration licence was applied for over an area of 375 square kms in the vicinity of Emmaville NSW containing historically evaluated bauxite deposits. Tenement was selected to cover these historic deposits and associated anomalous Fe-rich targets interpreted on Advanced Spacebourne emission and Reflection (ASTER) imagery.

Exploration for bauxite within the Company's Emmaville Project area took place in the 1940s and 1950s (Booker and Hanlon 1944; Owen, 1954). During this time a number of deposits were pitted and tested. Historic bauxite localities within the Emmaville Project tenements include the Pindaroi, Astley, Churchs, Strathbogie, Emmaville Common and Graveyard Creek bauxite deposits (shown on Figure 2). The largest of the reported occurrences within the Emmaville tenement, Astley, occupies an area approximately 36 hectares.

Queensland Bauxite plans to drill and verify historic grades and tonnages, and conduct exploratory drilling on the associated ASTER targets within this licence.

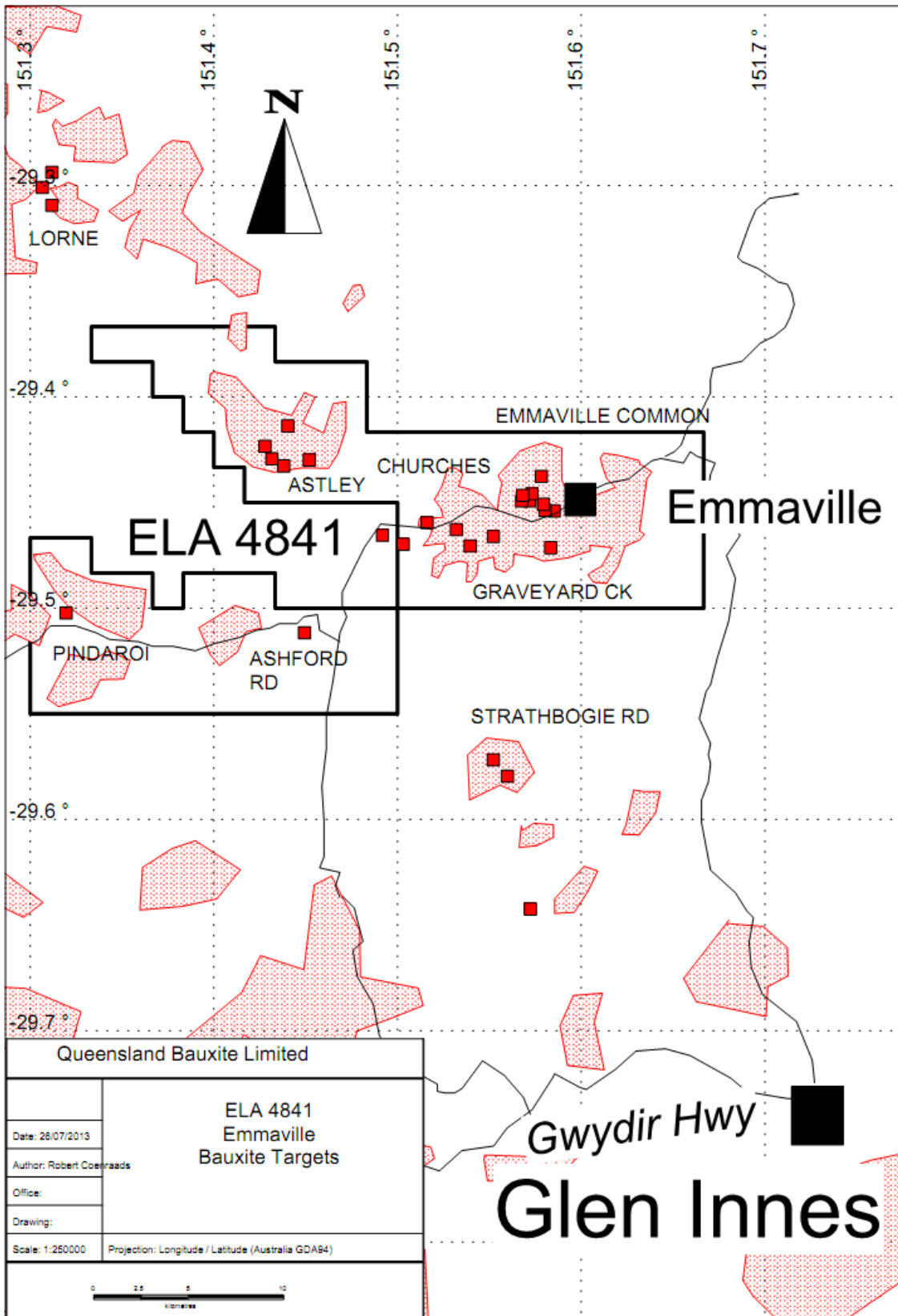


Figure 2

Inverell West EL's 7274 to 7278 (Figure 3)

Areas of potential bauxitic mineralization were identified throughout the Inverell West project area (EL7274 to EL7278) using the ASTER (Advanced Spaceborne Thermal Emission and Reflection) satellite images acquired and re-processed by Geoimage (Figure 3).

Currently the company is assessing whether the Inverell West Project bauxite project, when combined with the Emmaville and Bukkulla projects in the New England, will be capable of supporting the establishment of a local refinery for the production of alumina in eastern Australia.

A program of 22-holes on EL 7277 were drilled during November and December 2011 for a total advance of 200m and an average depth of 9m.

1. Holes NPAC202 to 212 were drilled at the Stirling and DeWiits historic bauxite localities situated approximately 14km west of Inverell. These two historic deposits appear to be part of one system covering an area of approximately 55 hectares. Hole 202 may contain a bauxite thickness of 5m as indicated by Innovex Portable Mineral Analyser readings, however this will be confirmed when the samples are sent for available alumina and reactive silica analysis.
2. Holes NPAC199 to 201 were drilled on the southern flank of Wades Warialda 4 Mile locality situated approximately 7 km west of Inverell and did not encounter bauxite before drilling was halted due to weather. It is proposed that further drilling be carried out at the historic Wades bauxite quarry.
3. Holes NPAC191 to 198 were drilled at Garleys deposit situated on 'Bowood Homestead' hill. Bauxite encountered in NPAC192 and 197 defines a bauxite exploration target area of approximately 16.5 hectares. Hole 192 indicates there may be thicknesses of up to 5m of bauxite present in this area based on Innovex Portable Mineral Analyser readings, however this will be confirmed when the samples are sent for available alumina and reactive silica analysis.

Queensland Bauxite proposes to focus on geologic mapping and air core drilling of the potential bauxite target areas within the Inverell West project area highlighted by the reprocessed ASTER data with the aim of defining a JORC compliant resource.

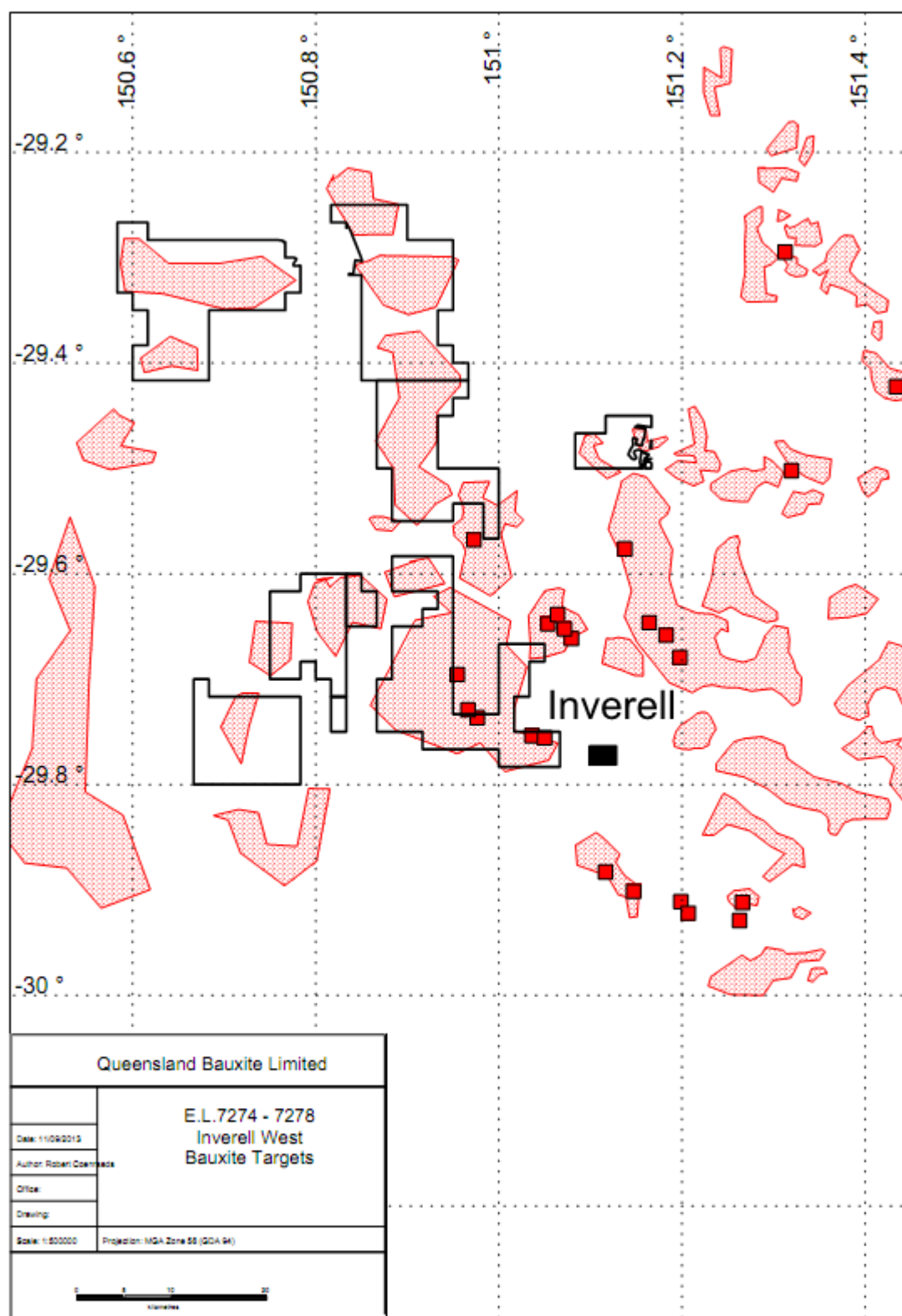


Figure 3

Gold Projects

The Company currently has two gold projects in Australia, the Pilbara Gold Project in the south-west Pilbara, and one gold project in New South Wales - the Lost River Gold Project.

Pilbara Gold Project

The Pilbara Gold Project comprises Exploration Licence E47/1153 which covers the northern half of the Rocklea Dome and encompasses an area of approximately 200km².

Outcropping quartz "blows" and stockworks located along well developed east-west shear zones near the intrusion boundary between the Rocklea Dome monzogranite and Hardey Formation pelites and metasandstones are considered prospective for the discovery of gold.

Lost River Deep-Lead Gold Project

QBL holds a 94 Unit exploration license (EL 7409) over a 20 km long Cainozoic basalt-capped palaeovalley defined by inverted topography, near Nowendoc, NSW.

Historic records record a gold-bearing deep-lead system partly exposed along the eastern edge of the basalt cap in the license area. Initial topographic inversion modelling indicates the existence of a buried palaeovalley whose axis appears to lie to the west of the exposed gold-bearing gravels cropping out along the eastern edge of the basalt cap. Gravity and magnetic surveys are currently being considered along the axis of the inverted topography to help aid in locating drill holes designed to test the width and depth of the deep lead beneath the basalt cap.

As a first step in evaluating the Lost River Project, it is recommended that geological mapping and sampling should be carried out along the basal contact of the Cainozoic basalt with the underlying sediments to determine the extent of gold mineralisation shed at the contact.

Agreement with Regius Coal Mining Limited

During June 2013, the Company signed a binding term sheet (the **Binding Term Sheet**) with Australian unlisted public company, Regius Coal Mining Limited (**Regius Coal**) in relation to the acquisition by QBL of an initial 35% interest in a Regius Coal subsidiary holding interests in two Mozambique exploration licenses considered to be prospective for coal (**Mozambique Tenement Interests**), located in the Zambezi coal basin in Tete province (the **Transaction**) with a further option to earn up to 51% of the Regius Coal subsidiary.

Upon completion of the Transaction, QBL and Regius Coal, as joint venture partners, intend to progress coal exploration activities over Licenses 4070L and 4169L.



Figure 4. Project Locations - Mozambique

About the Regius Coal Portfolio

Regius Coal is an unlisted Australian coal exploration company, focused on acquiring and exploring coal projects in Mozambique. Regius Coal currently holds an 80% interest in License 4070L and the right to acquire up to an 85% interest in License 4169L (the **Regius Coal SPV Portfolio**), as well as interests in other Mozambique exploration licences. Neither Regius Coal or its shareholders are related parties of the Company.

License	Status	Interest ¹	Rights to acquire up to ¹	Acreage Ha km ²	
4070L	Granted	80%	n/a (80% max)	4,600	46
4169L	Granted	Right to acquire 20% upon the payment of US\$750,000	85%	16,000	160

Figure 5. Regius Coal SPV Portfolio Overview

1. Additional material payments are required by Regius Coal in respect of its current interests and/or to increase its current interests, in particular a sum of US\$900,000 is currently payable to the vendors of 4070L.

The Regius Coal SPV Portfolio of exploration licences are located in an area of the Tete province that is considered to have excellent hard coking coal and thermal coal potential. The Tete coal fields of Mozambique have proven to be the next frontier for large scale coking and thermal coal projects with multinational companies like Rio Tinto, Vale, Anglo American, Tata and others having already invested billions of dollars in exploration and development.

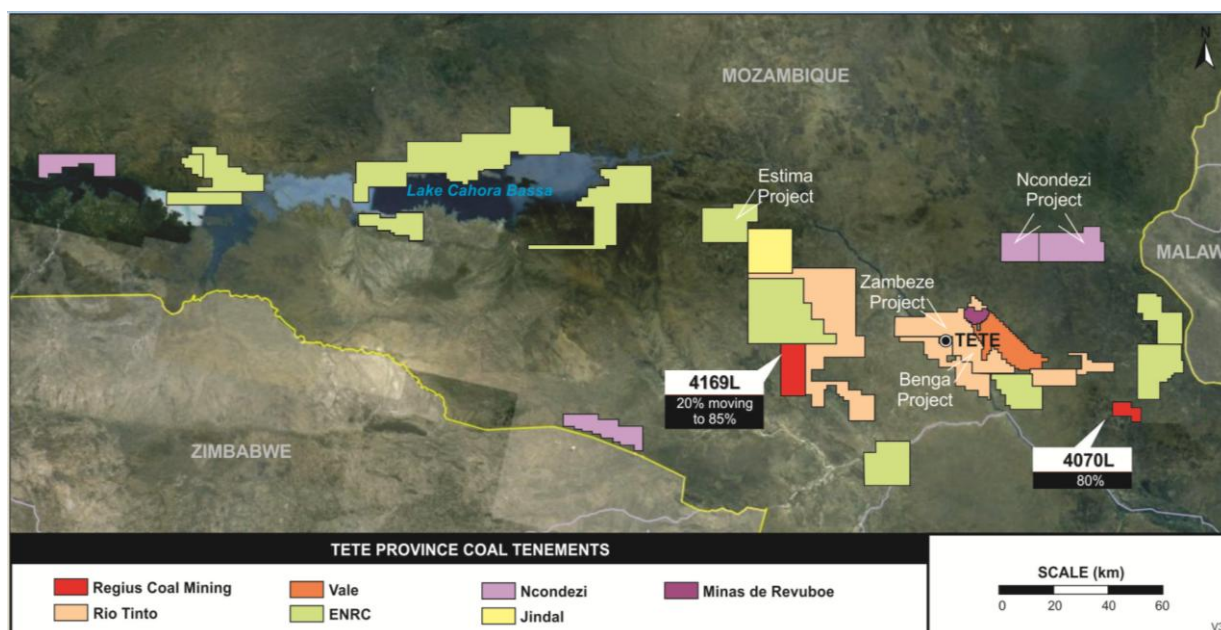


Figure 6. Tete Province - Coal Exploration Tenements (Portfolio licences in red)

In partnering with Regius Coal to explore Licences 4070L and 4169L, QBL will have the benefit of Regius Coal's team that has significant African coal experience, a strong in-country presence and a unique set of financial, geological and project management skills that will be required to drive the required exploration program.

Terms of the Acquisition

Under the binding term sheet, Regius Coal will incorporate an Australian proprietary company as a special purpose subsidiary of Regius Coal (**Regius Coal SPV**) to hold all of Regius Coal's legal, beneficial and economic interest in the relevant entity that holds 100% of Licences 4169L and 4070L .

QBL will:

- (a) subscribe for that number of fully paid ordinary shares equal to 35% of the issued share capital of the Regius Coal SPV for US\$750,000 (this amount of US\$750,000 is to be used by the Regius Coal SPV to pay amounts owing to secure the initial 20% interest in License 4169L) (**Initial SPV Acquisition**) ; and
- (b) for a period of 18 months after completion of the initial subscription, have the right (but not the obligation) to subscribe for a further 16% of the issued share capital in the Regius Coal SPV (up to 51% in Regius Coal SPV) for an aggregate amount of US\$1.2 million in one or more tranches, with the percentage interest which QBL acquires in Regius SPV being adjusted proportionately.

(the **Transaction**).

The Transaction remains conditional on:

- Regius Coal completing the restructure of its holdings in the Regius Coal SPV Portfolio, so that the interest in the licences, the subject of that portfolio, are legally and beneficially owned by the Regius Coal SPV.
- The agreements between Regius Coal and the other third parties who are equity holders in the Regius Coal SPV Portfolio be amended as is necessary and/or desirable to give effect to the Transaction, provided always that those amendments are no less favourable to the Regius Coal SPV.
- None of the warranties provided by Regius Coal becoming materially false, misleading or incorrect.

Upon completion of the initial subscription, QBL will have the right to appoint a director to the board of the Regius Coal SPV. If at any time QBL holds a majority interest in Regius Coal SPV, it will be entitled to appoint a majority of directors of Regius Coal SPV.

Regius Coal has also agreed to grant to QBL a first right of refusal in respect of any debt or equity financing of a member of the Regius Coal group and any investment, participation, acquisition, disposal or other dealing by Regius Coal or a member of the Regius Coal group in respect of any coal licence or other coal exploration tenement in which any member of the Regius Coal group has an interest.

Funding – Key Terms

Concurrent with the Transaction, QBL has entered into a loan note facility under which it has issued loan notes to raise A\$1.8 million (**Note Facility**) to strengthen the balance sheet and provide further working capital to facilitate the Transaction and the subsequent further investment that may be necessary to develop the Company's assets in the near term.

The key terms of the Note Facility are as follows:

- Coupon rate of 8% per annum;
- Term of 24 months;
- Secured by a first ranking charge over QBL and its assets; and
- Subject to shareholder approval being obtained, the facility (and any interest accrued but unpaid on the facility) is convertible into QBL shares at a conversion price of \$0.02 (convertible into a maximum of 90 million QBL Shares at the election of the lender, following shareholder approval).

The facility will be immediately repayable in the event that the Transaction does not complete. The facility will also become immediately repayable if there is a material adverse change in QBL.

Under the Note Facility the lender will be granted 12.5 million options exercisable into ordinary fully paid shares in QBL at \$0.03 with an expiry date of 3 years. The lender will also be granted a further 90 million options on the same terms, but subject to QBL shareholder approval being obtained. The exercise of these options would bring an additional \$3,075,000 in cash to the Company.

Further information relating to the Note Facility will be provided to shareholders shortly in a notice of meeting.

About the Zambezi Basin and Mozambique

The Mozambican coal region, in which the Regius Coal SPV Portfolio is situated, is considered to be **one of the largest underdeveloped coal basins in the world**. As a result of the strong prospectivity of the region and large-scale discoveries, most major coal areas in the Tete province have been allocated for exploration to various local and international companies.

Discovered coal deposits held by other companies in the Mozambique basins total in the order of 22 billion tonnes (based on publicly disclosed reports of inferred, indicated and measured mineral resources of high and low grade thermal coal and metallurgical coking coal) with companies having publicly proposed plans for collective production of circa 55 million tonnes per annum by around 2025.¹

The attractiveness of the Zambezi Coal Basin is due largely to a number of key factors:

- **Large Scale of Coal Deposits:** 22 billion tonnes of coal has already been discovered with exploration activity still at an early stage and further resources to be proven in coming years;
- **Presence of Hard Coking Coal:** Typical Zambezi Basin Coking Coal - CSR 64, CSN#9, Vol: 25%, 10.5% ash. Low Alkali & Aluminium in Ash - favourable for steel producers;
- **High Value Secondary Product:** large quantities of export quality thermal coal of 6,000kcal to add to profitability of mines in Mozambique;
- **Low Cost of Mining:** Strip ratios in the Zambezi Coal Basin are very low and overall mining costs are expected to be substantially less than its peers in Australia and Canada, making the margins more favourable in exporting both coking and thermal coal;
- **Access to Asian Markets:** Mozambique has excellent export routes (through new and existing ports) to the rapidly growing Indian and Chinese coal markets.

Infrastructure development plans being implemented for the Zambezi coal basin have been reported as follows (also see Figure 6 below):

- **Upgrade of Sena Railway line:** In process of being upgraded to 6Mtpa by end of 2013 moving to 20Mtpa by 2020. The Sena rail line transects Licence 4070L. License 4169L is located approximately 50km from the Sena rail line. Beira port to be dredged to handle larger vessels and new bulk terminal being developed;
- **New Macuse Railway Line & Port:** Tenders have been submitted by companies to develop a new railway line to the port of Macuse, <100km North of the Zambezi river mouth. Shortest export route of 480km. Initial capacity of 20Mtpa by 2015/2016. Macuse port to be able to handle Capesize vessels;

¹ All references to coal Resources are based on publicly disclosed reports of inferred, indicated and measured mineral resources of high and low grade thermal coal and metallurgical coking coal. All production plans stated above are based on publicly disclosed reports and presentations by the following companies: Vale, Rio Tinto, ENRC, Beacon Hill Resources and Jindal

- **Upgrade of Nacala Railway Line (via Malawi):** Vale spending up to US\$6 billion to develop the Nacala railway line and port to export 40Mtpa by 2015, with potential further upgrades thereafter; and
- **New Railway line to Nacala (in Mozambique around southern point of Malawi):** ENRC are developing a new railway line to serve their 1.4 billion tonne Estima project which will also be available to other companies in the region. Initial capacity of 40Mtpa by 2016 with upgrades up to 100Mtpa thereafter.



Figure 7: Mozambique Key Infrastructure Map

Both Licence 4070L and Licence 4169L are considered to be prospective for coal exploration with the proposed exploration and potential development over the short to medium term to coincide with the large scale infrastructure upgrades and developments for the Zambezi coal basin.²

² Statements regarding the prospectivity of the Regius Coal SPV's licenses are based upon independent geological reports by Regius Coal's Competent Person Mr. Peet Meyer and as reviewed by QBL's geologists.

The Regius Coal SPV Licenses are underlain with Lower Karoo sediments in which coal has historically been found in the Zambezi basin in Mozambique. A coal outcrop of 3m was found in the North West corner of license 4070L dipping 5deg to the Southwest. Infrastructure developments currently being undertaken by Vale and ENRC and through a public tender for a new railway and Port to Macuse are estimated to be completed within the next 3-5 years. Statements relating to the proposed infrastructure upgrades are based upon information received by Regius Coal from the Department of Transport of Mozambique and upon publically disclosed reports.

Consents

The information in this report that relates to Exploration Results, Mineral Resources or Ore Reserves is based on information compiled by Dr Robert Coenraads (BA Hons, MSc, PhD). Dr Coenraads is a fellow of the Australasian Institute of Mining and Metallurgy.

Dr Coenraads contracts services to QBL.

Dr Coenraads has sufficient experience which is relevant to the style of mineralization and type of deposit under consideration and to the activity which he is undertaking and to qualify as a Competent Person as defined in the 2004 Edition of the "Australasian Code for Reporting of Exploration Results, Mineral Resources or Ore Reserves".

Dr Coenraads consents to the inclusion in this report of the matters based on his information in the form and context in which it appears.

Operating results

The operating loss after tax for the year ended 30 June 2013 for the Group was \$2,454,095 (2012: loss \$1,644,900).

Dividends

There were no dividends paid or declared by the Company to members since the end of the previous financial year.

Environmental regulation

The Group is subject to and compliant with all aspects of environmental regulation of its exploration activities. The Directors are not aware of any environmental law that is not being complied with.

Significant changes in the state of affairs

During the period there were no changes in the state of affairs of the Group other than those referred to elsewhere in this report, or the financial statements or notes thereto.

Events subsequent to balance date

Further bauxite tenements have been secured by QBL as detailed earlier in this report. On 10 September 2013, 24,000,000 shares were issued to corporate advisors and brokers in lieu of past and ongoing corporate advisory fees. There has not arisen in the interval between the end of the financial year and the date of this report any further item, transaction or event of a material and unusual nature likely, in the opinion of the directors of the company, to affect significantly the operations of the company, the results of those operations, or the state of affairs of the company, in future financial years.

Likely developments

Further information about likely developments in the operations of the Group in future years, the expected results of those operations, the strategies of the Group and its prospects for future financial years has not been included in this report, because disclosure of the information would be likely to result in unreasonable prejudice to the Company.

Indemnification and insurance of officers

Indemnification

The Company has agreed to indemnify the following current Directors of the Company, Mrs Pnina Feldman, Mr Sholom Feldman, Mr Paul Stephenson, Mr Russell Williams and Mr David Austin against all liabilities to another person (other than the Company or a related body corporate) that may arise from their position as Directors and Officers of the Company and its controlled entities, except where the liability arises out of conduct involving a lack of good faith. This agreement stipulates that the Company will meet the full amount of any such liabilities, including costs and expenses.

Non-audit services

The Company's auditor, Nexia Court & Co – Chartered Accountants was appointed auditor of the Company in January 2008.

A copy of the auditor's independence declaration as required under Section 307C of the Corporations Act is included in the Directors' report.

Details of the amounts paid to the auditor of the Company, Nexia Court & Co – Chartered Accountants, and its related practices for audit and non-audit services provided during the year are set out below:

Statutory audit

- audit and review of financial reports	\$52,863
---	----------

Services other than statutory audit

- taxation services and advice	\$1,206
--------------------------------	---------

Remuneration Report – Audited

Remuneration policies

The Board has adopted a framework for corporate governance, including policies dealing with Board and Executive remuneration. These corporate governance policies are described more fully on pages 26 to 32 of the Directors' Report. Policies adopted by the Board reflect the relative stage of development of the Company, having regard for the size and structure of the organisation.

Remuneration levels are competitively set to attract and retain appropriately qualified and experienced Directors and Senior Executives. The remuneration packages of Executive Directors provide for a fixed level of remuneration. Other than as noted below Executive remuneration packages do not have guaranteed equity based components or performance based components.

Fixed remuneration

Fixed remuneration consists of base remuneration (salary or consulting fees) including any FBT charges as well as employer contributions to superannuation funds, where applicable.

Remuneration levels are reviewed annually by the Board of Directors.

Performance linked remuneration

During the previous financial period, the Board of Directors completed a review of compensation and benefit structures.

Long-term incentives are provided as options over ordinary shares of the Company. As set out below, to date shareholders in general meeting have approved specific grants of options to Executive Directors as a form of remuneration.

Consequences of performance on shareholders wealth

In view of the relatively early stage of development of the Company's business and remuneration policies, there is insufficient information to provide a meaningful quantitative analysis of the relationship between remuneration and Company performance.

Service agreements

The Company and Australian Gemstone Mining Pty Limited (**AGMPL**) are parties to a management services agreement (**Management Services Agreement**) dated 1 July 2007, for the provision by AGMPL of executive and corporate services, including geological and technical expertise, to the Company by the following executives:

- Pnina Feldman – Executive Director, Business Development;
- Dr Robert Coenraads – Principle Geologist, Exploration and Mining; and
- Sholom Feldman – Chief Executive Officer and Company Secretary.

In respect of each of these executives (**Key Persons**), AGMPL was paid a retainer for the period ended 30 June 2013. The Company was also reimbursed for all reasonable expenses incurred by or on behalf of the Key Persons.

- AGMPL is a company owned and controlled by Pnina Feldman.

Each of Pnina Feldman, Dr Coenraads and Sholom Feldman has entered into an executive services agreement with AGMPL. Each of these executive services agreements contains standard provisions dealing with employment obligations and standard covenants dealing with general duties and the protection of AGMPL's interests and mirrors the Management Services Agreement in respect of termination provisions.

AGMPL also provide suitable fully serviced offices to the Company at its Bondi office at 67 Penkivil Street, which includes use of office space, the board room, kitchen, access to a full-time receptionist, daily cleaning, and essential office infrastructure, including telephones, fax, printer, broadband internet connections and suitable office furniture.

AGMPL also provided additional administrative services to the Company, such as secretarial, accounting and office management services. These services were provided to the Company by AGMPL on reasonable arm's length terms as approved by the independent director(s).

AGMPL Services	Consolidated Entity	
	2013	2012
	\$	\$
Rent	85,464	139,476
Management and secretarial	39,000	133,020
Exploration and geological	162,389	326,964
Executive and corporate services	168,000	332,580
Consulting fees – Mrs Feldman	-	50,000
Reimbursement of expenses	5,968	23,498
Total	460,821	1,005,538

Non-Executive Directors

Non-Executive directors are paid up to \$70,000 per annum directors fees.

Director and Executive disclosures

Details of Directors and Company Executives (including Key Management Personnel)

Other than the Executive Directors, no other person is concerned in, or takes part in, the management of the Company or has authority and responsibility for planning, directing and controlling the activities of the entity. As such, during the financial year, the Company did not have any person, other than Directors, that would meet the definition of "Key Management Personnel" for the purposes of AASB124 or "Company Executive or Relevant Group Executive" for the purposes of section 300A of the Corporations Act 2001 (**Act**). Remuneration details of the Company Secretary are disclosed as section 300A(1B)(a) of the Act defines a "Company Executive" to specifically include a secretary of the entity.

Directors and Key Management Personnel

Pnina Feldman	Chairperson
Sholom Feldman	Director / Chief Executive Officer
Paul Stephenson	Non-Executive Director
David Austin	Alternate Director
Russell Williams	Non-Executive Director

Specified Directors	Salary & fees \$	Short term		Post employment	Termination Benefits \$	Share based payments	Other	Total \$	Proportion of remuneration performance Related %	Value of options as a proportion of remuneration %
		Cash bonus \$	Non- monetary benefits \$	Super- annuation \$		Options \$	Bonuses \$			
Pnina Feldman										
2013	84,000	-	-	-	-	-	-	84,000	-	-
2012	216,290	-	-	-	-	-	-	216,290	-	-
Sholom Feldman										
2013	84,000	-	-	-	-	-	-	84,000	-	-
2012	166,290	-	-	-	-	-	-	166,290	-	-
Paul Stephenson										
2013	70,000*	-	-	-	-	-	-	70,000	-	-
2012	72,500	-	-	-	-	-	-	72,500	-	-
David Austin										
2013	-	-	-	-	-	-	-	-	-	-
2012	19,091	-	-	-	-	-	-	19,091	-	-
Russell Williams										
2013	70,000*	-	-	-	-	5,732	-	75,732	-	7.57%
2012	70,000	-	-	-	-	-	-	70,000	-	-
Total Compensation:										
Directors including Key Management Personnel										
(Company an Group)										
2013	308,000	-	-	-	-	5,732	-	313,732	-	-
2012	544,171	-	-	-	-	-	-	544,171	-	-
Total Compensation:										
Executive Officers (Company an Group)										
2013		-	-	-	-	-	-	-	-	-
2012		-	-	-	-	-	-	-	-	-

*These include accrued and unpaid fees. The non executive directors had agreed to defer the payment of fees during the reporting period until the company's general project and market position would be further enhanced.

Options and rights over equity instruments granted as compensation

Details of options over ordinary shares in the Company that were granted as compensation to each key management person during the reporting period and details of options that were vested during the reporting period are as follows. The options were issued free of charge. Each option entitles the holder to subscribe for one fully paid ordinary share in the entity at the exercise price shown below.

2013 Directors	Vested Number	Granted Number	Grant Date	Value per Option at Grant Date \$	Exercise Price per Share \$	First Exercise Date	Last Exercise Date
Pnina Feldman	-	-	-	-	-	-	-
Sholom Feldman	-	-	-	-	-	-	-
Paul Stephenson	-	-	-	-	-	-	-
David Austin	-	-	-	-	-	-	-
Russell Williams	350,000	-	18-04-2011	0.041	30c	18/4/2013	31/12/2015
Total	350,000	-					

2012 Directors	Vested Number	Granted Number	Grant Date	Value per Option at Grant Date \$	Exercise Price per Share \$	First Exercise Date	Last Exercise Date
Pnina Feldman	-	-	-	-	-	-	-
Sholom Feldman	-	-	-	-	-	-	-
Paul Stephenson	-	-	-	-	-	-	-
David Austin	-	-	-	-	-	-	-
Russell Williams	350,000	-	18-04-2011	0.034	20c	18/4/2012	31/12/2015
Total	350,000	-					

No options have been granted since the end of the financial year. The options were provided at no cost to the recipients.

Modification of terms of equity-settled share-based payment transactions

No terms of equity-settled share-based payment transactions (including options and rights granted as compensation to a key management person) have been altered or modified by the issuing entity during the reporting period.

Exercise of options granted as compensation

During the period there were no shares issued as a consequence of the exercise of options previously granted as remuneration.

Modification of terms of equity-settled share-based payment transactions

No terms of equity-settled share-based payment transactions (including options and rights granted as compensation to a key management person) have been altered or modified by the issuing entity during the reporting period.

Analysis of share-based payments granted as compensation

2013

There were no share based payments granted as compensation.

2012

There were no share based payments granted as compensation.

Exercise of options granted as compensation

During the period there were no shares issued as a consequence of the exercise of options previously granted as remuneration.

End of audited Remuneration Report.

Lead Auditor's Independence Declaration under Section 307C of the Corporations Act 2001

The lead auditor's independence declaration is set out on page 33 and forms part of the directors' report for the year ended 30 June 2013.

Signed in accordance with a resolution of the Board of Directors:



Pnina Feldman, Chairperson

Dated this 16th day of September 2013

Corporate Governance Statement

The Directors of Queensland Bauxite Limited (“QBL” and “the Company”) have established a framework of corporate governance, which they review on a regular basis.

In order to promote investor confidence and to assist companies meet stakeholder expectations, the Australian Securities Exchange Corporate Governance Council developed and released corporate governance guidelines for Australian entities listed on the Australian Securities Exchange (**ASX**). The second edition, Corporate Governance Principles and Recommendations (**ASX Principles and Recommendations**) was released in August 2007.

The Company’s corporate governance policies referred to below are continually updated, as a result of updates in the ASX corporate principles and recommendations. The ASX Principles and Recommendations, in conjunction with the ASX Listing Rules, require companies to disclose whether their corporate governance practices follow the Guidelines on an “if not, why not” basis. This statement outlines the main corporate governance practices adopted by the Board, which comply with the ASX Principles and Recommendations, unless otherwise stated.

The roles of the Board and management

The role of the Board is to oversee and guide the management of QBL and its business with the aim of protecting and enhancing the interests of its shareholders and taking into account the interests of all stakeholders.

The Board is responsible for promoting the success of the Company in a way which ensures that the interests of shareholders and stakeholders are promoted and protected. The Board may delegate some powers and functions to the Chief Executive Officer for the day-to-day management of the Company. Powers and functions not delegated remain with the Board.

The key responsibilities and functions of the Board include the following:

- to develop, review and monitor the Company’s long-term business strategies and provide strategic direction to management;
- to ensure policies and procedures are in place to safeguard the Company’s assets and business and to enable the Company to act ethically and prudently;
- to develop and promote a system of corporate governance which ensures the Company is properly managed and controlled;
- to identify the Company’s principal risks and ensure that it has in place appropriate systems of risk management, internal control, reporting and compliance; and
- to monitor management’s performance and the Company’s financial results on a regular basis.

The Board’s role and the Company’s corporate governance practices are continually reviewed and improved as required.

The Company’s Executive Directors are implementing the running of the general operations and financial business of the Company in accordance with the delegated authority of the Board.

Board structure and independence

The Company recognises the importance of having a Board comprising Directors with an appropriate range of backgrounds, skills and experience to suit the Company's current and future strategies and requirements. The composition of the board is determined by the application of the following principles:

- persons nominated as Non-Executive Directors shall be expected to have qualifications, experience and expertise of benefit to the Company and to bring an independent view to the Board's deliberations. Persons nominated as Executive Directors must be of sufficient stature and security of employment to express independent views on any matter;
- the Chairman should ideally be independent, but in any case be Non-Executive and be elected by the Board based on his / her suitability for the position;
- all Non-Executive Directors are expected voluntarily to review their membership of the board from time-to-time taking into account length of service, age, qualifications and expertise relevant to the Company's then current policy and programme, together with the other criteria considered desirable for composition of a balanced board and the overall interests of the Company; and
- Executive Directors shall be expected to retire from the board on the relinquishment of their Executive.

The Company has adopted a Policy on Assessing the Independence of Directors which is consistent with the guidelines detailed in the ASX Principles & Recommendations. The Company considers that the Board should have at least three Directors and will aim to have a majority of independent Directors (as required) but acknowledges that this may not be possible at all times due to the size of the Company.

The Company's Board Charter includes guidelines for assessing the materiality of matters which are summarised below:

- A statement of financial position item is material if it has a value of more than 5% of pro-forma net assets or \$50,000, whichever is greater.
- A statement of profit or loss and other comprehensive income item is material if it will have an impact on the current year operating results of 5% or more.
- Items are also considered material if they impact the reputation of the Company, they involve a breach of legislation or a potential breach of legislation, if they are outside the ordinary course of business, could affect the Company's rights to its assets, involve a contingent liability that would impact the statement of financial position or statement of profit or loss and other comprehensive income by 5% or more or if they have an effect on operations which is likely to result in a change in net income or dividend distribution of more than 5% upwards or downwards.
- A contract is considered material if it is one which is outside the ordinary course of business, includes exceptionally onerous provisions, any default of the contract may trigger the qualitative statement of financial position or statement of profit or loss and other comprehensive income materiality levels, is essential to the operations of the Company, contains or triggers change of control provisions or is between related parties.

The current Board includes two independent Non-executive directors, Paul Stephenson and Russell Williams, and two executive directors Pnina Feldman and Sholom Feldman. As such, the Board does not currently have a majority of independent Directors. Paul Stephenson and Russell Williams fall within the requirements of an independent Director as stipulated in the ASX Principles & Recommendations, that is, no past or current relationships exist between these Directors and the Company that may affect their status as an independent Director. Pnina Feldman is Chairperson of the Board. Sholom Feldman is the Chief Executive Officer and Company Secretary. David Austin acts as an independent alternate Director to Sholom Feldman.

A minimum of three Directors is required under the Company's Constitution. Any changes to the composition of the Board will be determined by the Board, subject to any applicable laws and the resolutions of Shareholders. The Board seeks to nominate persons for appointment to the Board who have the qualifications, experience and skills to

augment the capabilities of the Board. At each Annual General Meeting, one third of the Directors must resign, with Directors resigning by rotation based on the date of their appointment. Directors resigning by rotation may offer themselves for re-election.

Details of the background, experience and professional skills of each Director and the Company Secretary are set out on pages 3 and 4 of the directors' report and are also available on the Company's website.

Board diversity

At this time, the Company has not established a policy concerning diversity. This is due to the size of the Board and the stage of the Company's development.

The proportion of women in the whole organisation is as follows:

	30 June 2013		30 June 2012	
Gender representation	Female (%)	(Male %)	Female (%)	Male (%)
Board representation	25%	75%	25%	75%
Senior executive positions	-	-	-	-
All employees	-	-	-	-

Meetings of the Board

The Board intends to meet formally at least eight times a year and on other occasions, as required. The agenda for Board meetings is prepared by the Company Secretary/Chief Executive Officer. Standard items include the Chief Executive Officer's report, financial reports, strategic matters, risk management and governance and compliance matters. Executives are available to participate in Board discussions as required.

Board access to information and independent advice

All Directors have unrestricted access to all employees of the Company and, subject to the law and the terms of Deeds of Access, Insurance and Indemnity, access to all Company records.

Each Director may, with the prior written approval of the Chairman, obtain independent professional advice to assist the Director in the proper exercise of powers and discharge of duties as a Director or as a member of a Board Committee. The Company will reimburse the Director for the reasonable expense of obtaining that advice.

Conflicts of interest

In accordance with the Corporations Act, directors must keep the Board advised, on an ongoing basis, of any interest that could potentially conflict with those of the Company. Where the Board believes that a significant conflict exists, the director concerned does not receive the relevant Board papers and is not present at the meeting whilst the item is considered.

Non-Executive Directors' Committee

Given the size of the Board and the stage of the Company's development, the Directors do not feel that a separate Non-Executive Directors' Committee, nomination committee and remuneration committee is appropriate, however the responsibilities of the committees are carried out by the Board of Directors.

Company code of conduct

The Board has adopted a Company Code of Conduct to promote ethical and responsible decision making by all employees (including Directors). The Code embraces the values of honesty, integrity, accountability and equality and to strive to enhance the reputation and performance of the Company. In summary the overriding principles are:

- all employees must conduct their duties honestly and in the best interests of the Company as a whole;
- treat other stakeholders fairly and without discrimination;
- respect confidentiality and do not misuse Company information or assets;
- conduct themselves in accordance with both the letter and spirit of the law; and
- maintain a safe working environment.

A breach of the Code is subject to disciplinary action which may include termination of employment.

Securities trading policy

The Board has adopted a policy and procedure on dealing in the Company's securities by Directors, Officers and employees. The Guidelines for Dealing in Securities Policy adopted by the Board requires that:

- Trading in Shares by directors, senior executives and employees is limited to specific periods, following the release of an annual report and half year results. Outside of these "window" periods, all directors, senior executives and employees, must follow the Guidelines for Dealing in Securities Policy and receive clearance for any proposed dealing in the Company's shares on the ASX prior to undertaking a transaction.
- A Director must receive clearance from the Chairman before he may buy or sell Shares. If the Chairman wishes to buy or sell Shares they must first obtain clearance from the Chief Executive Officer.
- Senior executives and employees must receive clearance from the Chief Executive Officer before they may buy or sell Shares.
- Directors, senior executives and employees must be aware of and observe their obligations under the Corporations Act not to buy or sell Shares if in possession of price sensitive non-public information and that they do not communicate price-sensitive non-public information to any person who is likely to buy or sell Shares or communicate such information to another party.

Audit and compliance committee

Given the present size of the Company and the Board, the usual functions of an Audit and Compliance Committee are attended to by all members of the board and any relevant matters are discussed at board level. The Board believes no efficiencies or other benefits could be gained by establishing a separate Audit and Compliance Committee.

The Company's auditor is Nexia Court & Co – Chartered Accountants. They were appointed in January 2008. The auditor attends and is available to answer questions at the Company's annual general meeting.

The Company's Chief Executive Officer has provided a declaration in accordance with section 295A of the Corporations Act in writing to the Board that:

- the consolidated financial statements of the Company and its controlled entities for each half and full year present a true and fair view, in all material aspects, of the Company's financial condition and operational results and are in accordance with accounting standards;

- the above statement is founded on a sound system of risk management and internal compliance and control which implements the policies adopted by the Board; and
- the Company's risk management and internal compliance and control framework is operating efficiently and effectively in all material respects.

Continuous disclosure

The Company understands and respects that timely disclosure of price sensitive information is central to the efficient operation of the ASX and has adopted a comprehensive Information Policy.

The purpose of this Information Policy is to set out the procedure for:

- protecting confidential information from unauthorised disclosure;
- identifying material price sensitive information and reporting it to the Company Secretary for review;
- ensuring the Company achieves best practice in complying with its continuous disclosure obligations under the Corporations Act and ASX Listing Rules; and
- ensuring the Company and individual officers do not contravene the Corporations Act or ASX Listing Rules.

The Company's Information Policy is reviewed periodically and updated as required.

Communications with shareholders

The Company has a Shareholder Communications Policy that promotes effective communication with shareholders and encourages presentation of information to shareholders in a clear, concise and effective manner.

The Company will communicate information on its activities and financial performance through the issue of the annual and half year financial reports, reports on activities and cash flows and through other announcements released to the ASX.

The Company posts all reports, ASX announcements, media releases and copies of newspaper reports on the Company's website at www.queenslandbauxite.com.au. The website will contain an archive of ASX announcements and annual reports. The Company will, wherever practicable, take advantage of new technologies that provide greater opportunities for more effective communications with shareholders.

The Company will ensure that the annual general meeting is held in a manner that enables as many shareholders as possible to attend and encourages effective participation by shareholders. The Company requires the attendance of the external auditor at the Company's annual general meeting and to be available to answer shareholder questions about the conduct of the audit and the preparation and content of the auditor's report.

Risk management

Responsibility for control and risk management is delegated to the appropriate level of management with the Chief Executive Officer having ultimate responsibility to the Board for the risk management and control framework.

The Company is committed to the identification, monitoring and management of risks associated with its business activities and has established various financial and operational reporting procedures and other internal control and compliance systems in this regard. These include the following:

- the Chief Executive Officer is required to report on the management of risk as a standing agenda item at each Board meeting. This involves the tabling of a Risk Register which is actively monitored and updated by management,
- delegated authority limits exist in respect of financial expenditure and other business activities;
- a comprehensive annual insurance programme is undertaken;
- internal controls exist to safeguard the Company's assets and ensure the integrity of business processes and reporting systems;
- annual budgeting and monthly reporting systems for business operations is undertaken which enable the monitoring of progress against performance targets and the evaluation of trends;
- appropriate due diligence procedures are undertaken for acquisitions and divestments; and
- disaster recovery procedures and crisis management systems exist.

The Company's Chief Executive Officer has provided a declaration that the Company's financial reports present a true and fair view, in all material respects, of the Company's financial condition and operational results and are in accordance with relevant accounting standards. Additionally, the Chief Executive Officer has stated that the declaration is based on a sound system for risk management and internal compliance and control which implements the policies adopted by the Board and the Company's risk management and internal compliance and control framework is operating efficiently and effectively in all material respects.

The Board also requires management to report to it confirming that those risks are being managed effectively. The Board has received assurance from the Chief Executive Officer that the Company's management of its material business risks are effective.

ASX Listing Rule Disclosure – Exception Reporting

The following table discloses the extent to which QBL has followed the best practice recommendations set by the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations (2nd Edition).

Principle No	Best Practice Recommendation	Compliance	Reasons for Non-compliance
2.1	A majority of the Board should be independent directors.	Currently, the Company has two independent directors and two non-independent directors.	The Board considers that its structure has been, and continues to be, appropriate in the context of the Company's recent history and the scope and scale of the Company's operations. Persons have been selected as directors to bring specific skills and industry experience relevant to the Company.
2.4	The Board should establish a nomination committee.	The Board has not established a separate nomination committee.	Given the size of the Board and the stage of the Company's development, the Directors do not feel that a separate nomination committee is appropriate. The Board believes no efficiencies or other benefits could be gained by establishing a Non-Executive Directors' Committee.
3.2	Companies should establish a policy of diversity.	Currently, the Company has 25% female representation of the Board.	The Board considers that its structure has been and continues to be appropriate in the context of the Company's recent history and the scope and scale of the Company's operations. Persons have been selected as directors to bring specific skills and industry experience relevant to the Company.
4.2	The audit committee should be structured so that it has at least three members.	The Company does not have a separate Audit and Compliance Committee.	Given the present size of the Company and the Board, the Board believes no efficiencies or other benefits could be gained by establishing a larger Audit and Compliance Committee.
8.1	The Board should establish a remuneration committee.	The Board has not established a remuneration committee.	Given the size of the Board and the stage of the Company's development, the Directors do not feel that a separate remuneration committee is appropriate.

The Board of Directors
Queensland Bauxite Limited
67 Penkivil Street
BONDI NSW 2026

Dear Board Members

Auditor's Independence Declaration under section 307C of the *Corporations Act 2001*

In accordance with section 307C of the *Corporations Act 2001*, I am pleased to provide the following declaration of independence to the directors of Queensland Bauxite Limited.

As lead audit partner for the audit of the financial statements of Queensland Bauxite Limited for the financial year ended 30 June 2013, I declare that to the best of my knowledge and belief, there have been no contraventions of:

- (a) the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
- (b) any applicable code of professional conduct in relation to the audit.

Yours sincerely



Andrew Hoffmann
Partner



Nexia Court & Co
Chartered Accountants

Sydney
16 September 2013

Sydney Office

Level 16, 1 Market Street, Sydney NSW 2000
PO Box H195, Australia Square NSW 1215
p +61 2 9251 4600, f +61 2 9251 7138
info@nxiacourt.com.au, www.nexia.com.au

Independent member of Nexia International



Nexia Court & Co (ABN 71 502 156 733) is an independent New South Wales firm of chartered accountants using the Nexia International trademark under licence. It is affiliated with, but independent from, Nexia Australia Pty Ltd, which is a member of Nexia International, a worldwide network of independent accounting and consulting firms. Neither Nexia International nor Nexia Australia Pty Ltd provide services to clients. Liability limited by a scheme approved under Professional Standards Legislation other than for the acts or omissions of financial services licensees.

Financial Statements

Consolidated statement of profit or loss and other comprehensive income

For the year ended 30 June 2013

	Note	2013 \$	2012 \$
Profit on sale of mining tenement assets	7	-	2,193,419
Interest received	7	207,401	333,127
Other income	7	14,772	201,898
General and administrative expenses		(62,702)	(273,539)
Depreciation		(26,652)	(49,447)
Management services		(78,607)	(539,013)
Legal expenses		(197,542)	(57,789)
Directors fees		(308,000)	(411,591)
Finance expenses		(433)	(5,784)
Occupancy expenses		(85,464)	(142,312)
Exploration written off	17	(84,459)	(632,455)
Impairment of exploration assets	17	(445,541)	(1,567,018)
Impairment of other receivables		(1,272,882)	(106,773)
Loss on disposal of plant and equipment		(28,237)	-
Travelling expenses – directors travel		(10,581)	(226,826)
Other expenses		(26,936)	(224,086)
Share based payments expense		(18,232)	(16,711)
Brokerage fees		(30,000)	(120,000)
Loss before income tax		(2,454,095)	(1,644,900)
Income tax benefit	9	-	-
Loss after tax from continuing operations		(2,454,095)	(1,644,900)
Other comprehensive income, net of tax		-	-
Total comprehensive loss		(2,454,095)	(1,644,900)
Loss attributable to members of Queensland Bauxite Limited		(2,454,095)	(1,644,900)
Total comprehensive income attributable to members of Queensland Bauxite Limited		(2,454,095)	(1,644,900)
Basic earnings per share (cents per share)	12	(0.90)	(0.61)
Basic earnings per share from continuing operations (cents per share)	12	(0.90)	(0.61)
Diluted earnings per share (cents per share)	12	(0.90)	(0.61)
Diluted earnings per share from continuing operations (cents per share)	12	(0.90)	(0.61)

The accompanying notes form part of these financial statements.

Consolidated statement of financial position

As at 30 June 2013

	Note	2013 \$	2012 \$
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	13	5,203,483	4,408,115
Trade and other receivables	14	208,986	94,566
Other current assets	15	-	1,270,223
TOTAL CURRENT ASSETS		5,412,469	5,772,904
NON-CURRENT ASSETS			
Other non-current assets	15	1,292	1,292
Exploration and evaluation	17	888,023	1,287,546
Property, plant and equipment	18	36,150	122,134
TOTAL NON-CURRENT ASSETS		925,465	1,410,972
TOTAL ASSETS		6,337,934	7,183,876
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables	19	339,923	309,102
Other financial liabilities	20	1,900	13,486
Loans and borrowings	21	1,600,000	-
TOTAL CURRENT LIABILITIES		1,941,823	322,588
NON-CURRENT LIABILITIES			
Other financial liabilities	20	-	29,314
TOTAL NON-CURRENT LIABILITIES		-	29,314
TOTAL LIABILITIES		1,941,823	351,902
NET ASSETS		4,396,111	6,831,974
EQUITY			
Share capital	22	13,559,013	13,559,013
Share based payments reserve	23	2,409,750	3,463,518
Accumulated losses	24	(11,572,652)	(10,190,557)
TOTAL EQUITY		4,396,111	6,831,974

The accompanying notes form part of these financial statements.

Consolidated statement of changes in equity

For the year ended 30 June 2013

		Share Capital Ordinary	Accumulated Losses	Share Based Payments Reserve	Total
	Note	\$	\$	\$	\$
Balance at 30 June 2011		13,559,013	(8,545,657)	3,446,807	8,460,163
Loss attributable to members of consolidated entity	24	-	(1,644,900)	-	(1,644,900)
Share based payment	23	-	-	16,711	16,711
Shares issued during the year		-	-	-	-
Balance at 30 June 2012		13,559,013	(10,190,557)	3,463,518	6,831,974
Loss attributable to members of consolidated entity	24	-	(2,454,095)	-	(2,454,095)
Share based payment	23	-	-	18,232	18,232
Transfer from share based payments reserve to accumulated losses		-	1,072,000	(1,072,000)	-
Shares issued during the year		-	-	-	-
Balance at 30 June 2013		13,559,013	(11,572,652)	2,409,250	4,396,111

The accompanying notes form part of these financial statements.

Consolidated statement of cash flows

For the year ended 30 June 2013

	Note	Consolidated Entity	
		2013 \$	2012 \$
CASH FLOWS FROM OPERATING ACTIVITIES			
Payments to suppliers and employees		(920,118)	(2,539,713)
Interest received		207,401	333,127
Other receipts		94,536	270,541
Interest paid		(433)	(5,784)
Net cash from operating activities	26	(618,614)	(1,941,829)
CASH FLOWS FROM INVESTING ACTIVITIES			
Payment for security deposits		(140,000)	-
Proceeds from sale of mining tenements		-	2,500,000
Purchase of property, plant and equipment		-	(34,004)
Exploration and evaluation expenditure		(46,018)	(576,105)
Net cash from investing activities		(186,018)	1,889,891
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from convertible bonds		1,600,000	-
Net cash from financing activities		1,600,000	-
Net increase/(decrease) in cash held		795,368	(51,938)
Cash at beginning of financial year		4,408,115	4,460,053
Cash at end of financial year	13	5,203,483	4,408,115

The accompanying notes form part of these financial statements.

Notes to the financial statements for the year ended 30 June 2013

1 REPORTING ENTITY

Queensland Bauxite Limited (the 'Company') is a company domiciled in Australia. The address of the company's registered office is 67 Penkivil Street, Bondi NSW 2026. The consolidated financial statements of the Company as at 16 September 2013 and for the year ended 30 June 2013 comprise the Company and its subsidiaries (together referred to as the 'Group' and individually as 'Group entities').

The Group is a for-profit entity and is primarily involved in the exploration for mineral deposits.

2 BASIS OF PREPARATION

a Statement of compliance

The consolidated financial statements are general purpose financial statements which have been prepared in accordance with Australian Accounting Standards ('AASBs') adopted by the Australian Accounting Standards Board ('AASB') and the Corporations Act 2001. The consolidated financial statements comply with International Financial Reporting Standards ('IFRSs') adopted by the International Accounting Standards Board ('IASB').

The consolidated financial statements were authorized for issue by the Board of Directors on 12 September 2013.

b Basis of measurement

The consolidated financial statements have been prepared on the historical cost basis except for the following material items in the statement of financial position:

- Trade and other receivables

The methods used to measure fair values are discussed further in note 5.

c Functional and presentation currency

These consolidated financial statements are presented in Australian dollars, which is the Company's functional currency and the functional currency of the Group.

d Use of estimates and judgements

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

3 SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements, and have been applied consistently by Group entities.

a Basis of consolidation

i Business combinations

Business combinations are accounted for using the acquisition method as at the acquisition date, which is the date on which control is transferred to the Group. Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, the Group takes into consideration potential voting rights that currently are exercisable.

ii Subsidiaries

Subsidiaries are entities controlled by the Group. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

iii Transactions eliminated on consolidation

Intra-group balances, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements.

b Financial instruments

i Non-derivative financial assets

The Group initially recognizes loans and receivables on the date that they are originated. All other financial assets are recognized initially on the trade date at which the Group becomes a party to the contractual provisions of the instrument.

The Group derecognizes a financial asset when the contractual rights to the cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the Group is recognized as a separate asset or liability.

The Group has the following non-derivative financial assets: loans and receivables.

Loans and receivables

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition loans and receivables are measured at amortised cost, less any impairment losses.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits with maturities of three months or less from the acquisition date that are subject to an insignificant risk of changes in their fair value, and are used by the Group in the management of its short-term commitments.

ii Non-derivative financial liabilities

The Group initially recognizes debt securities issued on the date that they are originated. All other financial liabilities are recognized initially on the trade date, which is the date that the Group becomes a party to the contractual provisions of the instrument.

The Group derecognizes a financial liability when its contractual obligations are discharged or cancelled or expire.

The Group classifies the non-derivative financial liabilities into the other financial liabilities category. Such financial liabilities are recognized initially at fair value less any directly attributable transaction costs. Subsequent to initial recognition, these financial liabilities are measured at amortised cost.

Other financial liabilities comprise loans and borrowings and trade and other payables.

iii Share capital

Ordinary shares

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares and share options are recognized as a deduction from equity, net of any tax effects.

iv Compound financial instruments

Compound financial instruments issued by the Group comprise convertible bonds that can be converted to share capital at the option of the holder, when the number of shares to be issued is fixed.

The liability component of a compound financial instrument is recognised initially at the fair value of a similar liability that does not have an equity conversion option. The equity component is recognised initially at the difference between the fair value of the compound financial instrument as a whole and the fair value of the liability component. Any directly attributable transaction costs are allocated to the liability and equity components in proportion to their initial carrying amounts.

Subsequent to initial recognition, the liability component of a compound financial instrument is measured at amortised cost using the effective interest method. The equity component of a compound financial instrument is not remeasured subsequent to initial recognition.

Interest related to the financial liability is recognised in profit or loss. On conversion, the financial liability is reclassified to equity and no gain or loss is recognised.

c Property, plant and equipment

i Recognition and measurement

Items of property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses.

Cost includes expenditures that are directly attributable to the acquisition of the asset. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

ii Subsequent costs

Subsequent expenditure is capitalized only when it is probable that the future economic benefits associated with the expenditure will flow to the Group. Ongoing repairs and maintenance is expensed as incurred.

Depreciation and amortisation

Items of property, plant and equipment are depreciated/amortized on a straight-line basis in profit and loss over the estimated useful lives of each component. Leased assets are depreciated over the shorter of the lease term and their useful lives.

Items of property, plant and equipment are depreciated from the date that they are installed and are ready for use.

The estimated useful lives for the current and comparative years of significant items of property, plant and equipment are as follows:

. plant and equipment	14 years
. office equipment	7 years
. motor vehicles	7 years

Depreciation and amortisation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

d Exploration and evaluation expenditure

Exploration and evaluation expenditure, including the costs of acquiring the licences, are capitalised as exploration and evaluation assets on an area of interest basis. Costs incurred before the Company has obtained the legal rights to explore an area are recognised in the income statement.

Exploration and evaluation assets are only recognised if the rights of the area of interest are current and either:

the expenditures are expected to be recouped through successful development and exploitation or from sale of the area of interest; or

activities in the area of interest have not at the reporting date, reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable reserves, and active and significant operations in, or in relation to, the area of interest are continuing.

Exploration and evaluation assets are assessed for impairment if (i) sufficient data exists to determine technical feasibility and commercial viability, and (ii) facts and circumstances suggest that the carrying amount exceeds the recoverable amount (see impairment accounting policy (f)). For the purposes of impairment testing, exploration and evaluation assets are allocated to cash-generating units to which the exploration activity relates. The cash generating unit shall not be larger than the area of interest.

Once the technical feasibility and commercial viability of the extraction of mineral resources in an area of interest are demonstrable, exploration and evaluation assets attributable to that area of interest are first tested for impairment and then reclassified to mining property and development assets within property, plant and equipment.

When an area of interest is abandoned or the directors decide that it is not commercial, any accumulated costs in respect of that area are written off in the financial period the decision is made.

e Impairment

i Non-derivative financial assets

A financial asset is impaired if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset, and that the loss event(s) had an impact on the estimated future cash flows of that asset that can be estimated reliably.

Objective evidence that financial assets are impaired includes default or delinquency by a debtor.

The Group considers evidence of impairment for financial assets at a specific asset level.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount, and the present value of the estimated future cash flows discounted at the original effective interest rate. Losses are recognized in profit and loss and reflected in an allowance account against loans and receivables.

ii Non-financial assets

The carrying amounts of the Group's non-financial assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists then the asset's recoverable amount is estimated. An impairment loss is recognised if the carrying amount of an asset or its related cash-generating unit exceeds its recoverable amount. A cash-generating unit is the smallest identifiable asset group that generates cash flows that largely are independent from other assets and groups.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

Impairment losses are recognized in profit or loss.

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

f Employee benefits

i Defined contribution plans

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution superannuation funds are recognised as an employment benefit expense in profit or loss in the periods during which services are rendered by employees.

ii Short-term employee benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. Liabilities for employee benefits for wages, salaries, annual leave and sick leave represent present obligations resulting from employees' services provided to reporting date and are calculated at undiscounted amounts based on remuneration wage and salary rates that the Group expects to pay as at reporting date including related on-costs, such as workers compensation insurance and payroll tax.

g Revenue

Revenue is recognized at the fair value of consideration received or receivable. Amounts disclosed as revenue are net of returns, trade allowances and duties and taxes paid.

Interest

Revenue is recognised as interest accrues using the effective interest method. The effective interest method uses the effective interest rate which is the rate that exactly discounts the estimated future cash receipts over the expected life of the financial asset.

h Lease payments

Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognised as an integral part of the total lease expense, over the term of the lease.

Minimum lease payments made under finance leases are apportioned between the finance expense and the reduction of the outstanding liability. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

i Finance income and finance costs

Finance income comprises interest income on funds invested. Interest income is recognised as it accrues, using the effective interest method.

Finance costs comprise interest expense on borrowings. All borrowing costs are recognised in profit or loss using the effective interest method.

j Tax

Tax expense comprises current and deferred tax. Current and deferred tax is recognised in profit or loss except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognized in respect of temporary differences between the carrying amount of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date.

A deferred tax asset is recognized for unused tax losses and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

The Company and its wholly-owned Australian resident entities are part of a tax-consolidated group. As a consequence, all members of the tax-consolidated group are taxed as a single entity. The head entity within the tax-consolidated group is Queensland Bauxite Limited.

k Goods and services tax

Revenue, expenses and assets are recognised net of the amount of goods and services tax (GST), except where the amount of GST incurred is not recoverable from the taxation authority. In these circumstances, the GST is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated with the amount of GST included. The net amount of GST recoverable from, or payable to, the ATO is included as a current asset or liability in the statement of financial position.

Cash flows are included in the cash flow statement on a gross basis. The GST components of cash flows arising from investing and financing activities which are recoverable from, or payable to, the ATO are classified as operating cash flows.

l Going concern basis of accounting

Notwithstanding the loss for the year, negative cash flow from operations and historical financial performance, the financial report has been prepared on a going concern basis. This assessment is based on a cash at bank balance at balance date, and the directors' understanding of expected cash outflows in the coming financial year.

4 NEW STANDARDS AND INTERPRETATIONS NOT YET ADOPTED

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after 1 July 2013, and have not been applied in preparing these consolidated financial statements of the Group. None of these is expected to have a significant effect on the consolidated financial statements of the Group.

5 DETERMINATION OF FAIR VALUES

A number of the Group's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and/or disclosure purposes based on the following methods. When applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

i Trade and other receivables

The fair value of trade and other receivables is estimated as the present value of future cash flows, discounted at the market rate of interest at the reporting date.

ii Other non-derivative financial liabilities

Other non-derivative financial liabilities are measured at fair value, at initial recognition and for disclosure purposes, at each annual reporting date. Fair value is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the measurement date. In respect of the liability component of convertible bonds, the market rate of interest is determined with reference to similar liabilities that do not have a conversion option.

6 FINANCIAL RISK MANAGEMENT

Overview

The Company and Group have exposure to the following risks from their use of financial instruments:

liquidity risk; and

market risk.

This note presents information about the Company's and Group's exposure to each of the above risks, their objectives, policies and processes for measuring and managing risk. Further quantitative disclosures are included throughout this financial report.

The Board of Directors has overall responsibility for the establishment and oversight of the risk management framework.

Risk management policies are established to identify and analyse the risks faced by the Company and Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's and Group's activities. The Company and Group, through their training and management standards and procedures, aim to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses.

Market risk

Market risk is the risk that changes in market prices will affect the Group, for example changes in interest rates.

Note 7: Income

	2013 \$	2012 \$
Profit on sale of mining tenement assets	-	2,193,419
Interest received	207,401	333,127
Other income	14,772	201,898
	<u>222,173</u>	<u>2,728,444</u>

Note 8: Expenses

	2013 \$	2012 \$
Employee benefits expense:		
Salaries and wages expense	-	132,789
Share based payments expense	5,732	16,711
Contributions to accumulation superannuation funds	-	14,311
	<u>5,732</u>	<u>163,811</u>

Note 9: Income tax

	2013 \$	2012 \$
Major components of income tax expense		
a. Income tax benefit		
Accounting loss	(2,454,095)	(1,644,900)
Prima facie tax benefit on the loss from ordinary activities before income tax at 30% (2012: 30%) differs from the income tax provided in the financial statements as follows:		
Tax benefit at 30%	(736,229)	(493,470)
Tax effect of non-deductible expense	520,997	5,013
Add:		
- business related capital costs amortised	-	(53,585)
- exploration expenditure capitalised	(13,805)	(173,432)
Less:		
Deferred tax asset not brought to account	229,037	715,474
Income tax benefit attributable to operating loss	<u>-</u>	<u>-</u>

	2013	2012
b. Unrecognised deferred tax assets	\$	\$
Deferred tax assets have not been recognised In respect of the following item:		
Tax losses	3,111,154	2,882,716

The deductible temporary differences and tax losses do not expire under current tax legislation. Deferred tax assets have not been recognised in respect of these items because it is not probable that future taxable profit will be available against which the Group can utilise the benefits therefrom.

Note 10: Key management personnel disclosures

Names and positions held of economic and parent entity key management personnel in office at any time during the financial year are:

Key management person	Position
Pnina Feldman	Chairperson
Sholom Feldman	Director / Chief Executive Officer
Paul Stephenson	Non-Executive Director
Russell Williams	Non-Executive Director
David Austin	Alternate Director

The key management personnel remuneration has been included in the remuneration report section of the director's report.

Options and rights over equity instruments granted as compensation

The movement during the reporting period in the number of options over ordinary shares in QBL held, directly, indirectly or beneficially, by each key management person, including their related parties, is as follows:

2013

	Held at 1 July 2012	Granted as compensation	Expired	Held at 30 June 2013	Vested during the year	Vested and exercisable at 30 June 2013
Directors						
Pnina Feldman ⁽¹⁾	11,000,000	-	11,000,000	-	-	-
Sholom Feldman	1,000,000	-	1,000,000	-	-	-
Paul Stephenson	1,000,000	-	1,000,000	-	-	-
David Austin	-	-	-	-	-	-
Russell Williams	700,000	-	-	700,000	350,000	700,000

2012

	Held at 1 July 2011	Granted as compensation	Expired	Held at 30 June 2012	Vested during the year	Vested and exercisable at 30 June 2012
Directors						
Pnina Feldman ⁽¹⁾	11,000,000	-	-	11,000,000	-	11,000,000
Sholom Feldman	1,000,000	-	-	1,000,000	-	1,000,000
Paul Stephenson	1,000,000	-	-	1,000,000	-	1,000,000
David Austin	-	-	-	-	-	-
Russell Williams	700,000	-	-	700,000	350,000	350,000

No options held by key management personnel are vested but not exercisable.

(1) Performance options

- (a) 5,000,000 Performance Options issued to Pnina Feldman as executive chairperson exercisable at 20 cents each on or before 31 December 2012.
- (b) 5,000,000 Performance Options, issued to Pnina Feldman as a result of at least \$3,500,000 raised by the public offer exercisable at 30 cents each on or before 31 December 2012.

Movements in shares

The movement during the reporting period in the number of ordinary shares in QBL held, directly, indirectly or beneficially, by each key management person, including their related parties, is as follows:

2013

	Held at 1 July 2012	Acquired	Disposed	Held at 30 June 2013
Directors				
Pnina Feldman (1)(2)	109,252,166	-	-	109,252,166
Sholom Feldman (1)(2)	109,252,166	-	-	109,252,166
Paul Stephenson	1,000,000	-	-	1,000,000
David Austin	-	-	-	-
Russel Williams	-	-	-	-

2012

	Held at 1 July 2011	Acquired	Disposed	Held at 30 June 2012
Directors				
Pnina Feldman (1)(2)	109,252,166	-	-	109,252,166
Sholom Feldman (1)(2)	109,252,166	-	-	109,252,166
Paul Stephenson	1,000,000	-	-	1,000,000
David Austin	-	-	-	-
Russel Williams	-	-	-	-

- (1) Pnina Feldman and Sholom Feldman are each directors of L'Hayyim Pty Ltd which holds 4,252,166 Shares and 7,500,000 options exercisable at 20 cents each on or before 31 December 2012 in its capacity as trustee of the 770 Unit Trust; and
- (2) Pnina Feldman and Sholom Feldman are each directors of Volcan Australia Corporation Pty Ltd which holds 105,000,000 shares and 65,000,000 options exercisable at 5 cents each on or before 31 December 2015.

Note 11: Auditor's remuneration

	2013 \$	2012 \$
Remuneration of the auditor (Nexia Court & Co) of the parent entity for:		
An audit or review of the financial report of the Company		
- Current year	34,959	34,000
- Half-year review	17,904	30,643
Other services		
- Taxation services and advice	1,206	8,302
	54,069	72,945

Note 12: Earnings per share

	2013	2012
Basic Earnings per Share		
a. Basic loss per share (cents)	(0.90)	(0.61)
Loss attributable to ordinary shareholders (\$)	(2,454,095)	(1,644,900)
Earnings used to calculate basic EPS (\$)	(2,454,095)	(1,644,900)
	No.	No.
b. Weighted average number of ordinary shares outstanding during the year used in calculating basic EPS	271,363,192	271,363,192
Diluted Earnings per Share		
a. Basic loss per share (cents)	(0.90)	(0.61)
Loss attributable to ordinary shareholders (\$)	(2,454,095)	(1,644,900)
Earnings used to calculate diluted EPS (\$)	(2,454,095)	(1,644,900)
	No.	No.
b. Weighted average number of ordinary shares outstanding during the year used in calculating diluted EPS	271,363,192	271,363,192

Note 13: Cash and cash equivalents

	2013 \$	2012 \$
CURRENT		
Cash on hand	100	100
Cash at bank	5,203,383	4,408,015
Cash and cash equivalents in the statement of cash flows	5,203,483	4,408,115

Note 14: Trade and other receivables

	2013 \$	2012 \$
CURRENT		
Security deposits	140,000	-
Prepayments	3,191	11,250
Other debtors	131,773	132,588
Less impairment of other debtors	(106,773)	(106,773)
GST receivable	40,795	57,501
	208,986	94,566

Note 15: Other assets

	2013 \$	2012 \$
CURRENT		
Loan to Volcan Australia Corporation Pty Ltd - Unsecured#	1,200,000	1,200,000
Less impairment of loan	(1,200,000)	-
Loan to Volcan Australia Corporation Pty Ltd – Unsecured	72,882	70,223
Less impairment of loan	(72,882)	-
	-	1,270,223
NON-CURRENT		
Loan to Australian Iron Ore Pty Ltd – Unsecured	1,292	1,292
	1,292	1,292

The loan to Volcan Australia Corporation Pty Ltd is the amount that was in consideration for the purchase by Volcan Australia Corporation Pty Ltd (VAC) of ML1492 from the company pursuant to the transactions completed on 14th December 2010 as approved at the time by shareholders at an EGM. This amount is unsecured, due for payment in cash on 14th December 2012, and there is no interest payable on the amount due. The directors have agreed that it is in QBL's interest to allow VAC further time to secure the funds to make the payment. As the timing of this payment is at present uncertain, it is considered prudent for this amount to be impaired in the accounts until the payment is able to be made.

Note 16: Controlled entities

	Country of incorporation	Percentage owned (%)	
		2013	2012
a. Controlled entities consolidated			
Parent entity:			
Queensland Bauxite Limited	Australia		
Subsidiaries of Queensland Bauxite Limited			
Pilbara Gold Holdings Pty Ltd #	Australia	-	100%
Broads Dam Gold Holdings Pty Ltd #	Australia	-	100%
South Johnstone Bauxite Pty Ltd	Australia	100%	100%
Volcan Queensland Bauxite Pty Ltd	Australia	100%	100%
Volcan South Queensland Bauxite Pty Ltd #	Australia	-	100%

* Percentage of voting power is in proportion to ownership.

These subsidiaries were deregistered by the Australian Securities and Investments Commission on 18 November 2012, 8 March 2013 and 4 February 2013 respectively.

Note 17: Exploration and evaluation

	2013 \$	2012 \$
NON-CURRENT		
Balance as at 30 June	1,287,546	2,278,459
Mining permits, tenement acquisition and administration and geologist expenses	46,018	576,105
Impairment of exploration assets	(445,541)	(1,567,018)
Tenement disposal	-	-
Balance as at 30 June	888,023	1,287,546
Exploration expenses written off during the year	84,459	632,455

The value of the Company's interest in exploration expenditure is dependent upon the:

- continuance of the economic entity's right to tenure of the areas of interest;
- results of future exploration, and
- recoupment of costs through successful development and exploitation of the areas of interest, or alternatively, by their sale.

Note 18: Property, plant and equipment

	2013 \$	2012 \$
NON-CURRENT		
Mining Equipment		
At cost	175,033	247,624
Accumulated depreciation	(138,883)	(125,490)
Total written down amount	36,150	122,134

Movements in carrying amounts

Movement in the carrying amounts for each class of property, plant and equipment between the beginning and the end of the current financial year.

2013	Mining Equipment \$	Total \$
------	------------------------	-------------

Consolidated Entity:

Carrying amount year ended 30 June 2012	122,134	122,134
Additions	-	-
Disposals	(59,332)	(59,332)
Depreciation expense	(26,652)	(26,652)
Impairment loss	-	-
Carrying amount year ended 30 June 2013	36,150	36,150

2012	Mining Equipment \$	Total \$
------	------------------------	-------------

Consolidated Entity:

Carrying amount year ended 30 June 2011	137,577	137,577
Additions	34,004	34,004
Disposals	-	-
Depreciation expense	(49,447)	(49,447)
Impairment loss	-	-
Carrying amount year ended 30 June 2012	122,134	122,134

Note 19: Trade and other payables

	2013 \$	2012 \$
CURRENT		
Unsecured liabilities		
Trade payables	222,423	230,833
Accrued expenses	117,500	64,434
Payroll liability	-	13,835
	<u>339,923</u>	<u>309,102</u>

Note 20: Other financial liabilities

	2013 \$	2012 \$
CURRENT		
Loan from New England Sapphire Corporation Pty Ltd (in liquidation) - Unsecured	100	-
Loan from Volcan Australia Corporation Pty Ltd - Unsecured	1,800	1,800
Hire purchase liability - Secured	-	11,686
Total	<u>1,900</u>	<u>13,486</u>
NON-CURRENT		
Loan – New England Sapphire Corporation Pty Ltd (in liquidation) - Unsecured	-	100
Hire purchase liability - Secured	-	29,214
Total	<u>-</u>	<u>29,314</u>

Note 21: Loans and borrowings

	2013 \$	2012 \$
--	------------	------------

CURRENT

Convertible bonds - Secured	1,600,000	-
-----------------------------	-----------	---

Terms and debt repayment schedule

Term and conditions of outstanding loan

were as follow:

				30 June 2013	
	Currency	Nominal interest rate	Year of Maturity	Face value	Carrying amount
Secured convertible bond issue				\$	\$
	AUD	8%	2015	1,600,000	1,600,000

Total interest bearing liabilities

Convertible bonds**2013****\$**

Proceeds from issue of convertible bond	1,600,000
---	-----------

1,600 notes at \$1,000 par value

The bonds are convertible at any time into ordinary shares at the option of the holder. The conversion price of the ordinary shares is \$0.02. Unconverted bonds become repayable on demand. These bonds were issued on 27 June 2013.

Convertible bonds become repayable on demand if any event of default occurs under the Bond Agreement. The Company also has an obligation to maintain a minimum cash balance of \$2,500,000 unless such further expenditure is approved by the bondholder.

Note 22: Issued capital

	2013 \$	2012 \$
271,363,192 (2012: 271,363,192) fully paid ordinary shares	13,559,013	13,559,013

	2013 No.	2013 \$.	2012 No.	2012 \$.
a. Ordinary shares				
At the beginning of reporting period	271,363,192	13,559,013	271,363,192	13,559,013
At reporting date	271,363,192	13,559,013	271,363,192	13,559,013

Terms and Conditions of Issued Capital

a. Ordinary Shares

Ordinary shares have the right to receive dividends as declared by the board and, in the event of winding up the Company, to participate in the proceeds from the sale of all surplus assets in proportion to the number of and amounts paid up on shares held. Ordinary shares entitle the holder to one vote either in person or by proxy at a meeting of the Company.

b. Options on issue

The following reconciles the outstanding share options at the beginning and year end of the financial year:

	2013 No.	2012 No.
Description		
At the beginning of reporting period	126,991,763	128,991,763
Granted during the financial year	12,500,000	-
Forfeited during the financial year	-	(2,000,000)
Exercised during the financial year	-	-
Expired during the financial year	(55,291,763)	-
Balance at the end of the financial year	84,200,000	126,991,763
Exercisable at the end of the financial year	<u>84,200,000</u>	<u>126,641,763</u>

Each of the options entitles the holder to one fully paid ordinary share in the Company. The terms of the options on issue are:

- 45,291,763 exercisable at \$0.20 on or before 31 December 2012;
- 5,000,000 performance options exercisable at \$0.20 on or before 31 December 2012;
- 5,000,000 performance options exercisable at \$0.30 on or before 31 December 2012;
- 5,000,000 exercisable at \$0.25 on or before 30 June 2014;
- 350,000 exercisable at \$0.20 on or before 31 December 2014;
- 350,000 exercisable at \$0.30 on or before 31 December 2015;
- 1,000,000 exercisable at \$0.25 on or before 31 December 2015;
- 65,000,000 exercisable at \$0.05 on or before 31 December 2015; and
- 12,500,000 exercisable at \$0.03 on or before 2 July 2016.

Note 23: Share based payments reserve

The share based payments reserve records items recognised as expenses on share based payments.

	Consolidated Entity	
	2013 \$	2012 \$
Balance as at 1 July	3,463,518	3,446,807
Equity settled share based payment – employee benefits expense	5,732	16,711
Equity settled share based payment – corporate fee	12,500	-
Transfer to accumulated losses for expired and forfeited options	(1,072,000)	-
Balance as at 30 June	2,409,750	3,463,518

Note 24: Accumulated losses

	2013 \$	2012 \$
Balance as at 1 July	(10,190,557)	(8,545,657)
Loss for the year	(2,454,095)	(1,644,900)
Transfer from share based payments reserve for expired and forfeited options	1,072,000	-
Balance as at 30 June	(11,572,652)	(10,190,557)

Note 25: Commitments for expenditure

	2013 \$	2012 \$
Exploration and evaluation		
– not later than 1 year	399,993	796,900
– later than 1 year but no later than 5 years	-	-
	399,993	796,900
Capital commitments		

In respect of its proposed interest in Regius Coal Limited, the Company is committed to incur capital expenditure of US \$750,000, to secure Mozambique mining tenements. These commitments are expected to be settled in 2014.

Note 26: Reconciliation of cash flows from operating activities

	2013 \$	2012 \$
a. Cash flows from operating activities		
Loss for the year	(2,454,095)	(1,644,900)
Non-cash flows in loss		
Impairment of exploration assets	445,541	1,567,018
Impairment of receivables	1,272,882	106,773
Depreciation	26,652	49,447
Share based payments expense	18,232	16,711
Loss on disposal of plant and equipment	28,237	-
Profit on sale of mining tenement assets	-	(2,193,419)
Changes in assets and liabilities, net of the effects of purchase and disposal of subsidiaries		
Decrease in trade and other receivables	815	180,382
Decrease in prepayments	8,059	13,885
Decrease in GST receivable	16,706	24,966
Increase in trade payables and accruals	34,851	40,845
(Decrease) in deferred income	-	(100,000)
(Decrease) in payroll liability	(13,835)	(3,128)
(Decrease) in hire purchase liability	-	(11,686)
(Decrease) in annual leave liability	-	(3,681)
(Decrease)/Increase in other loans	(2,659)	14,958
Net cash from operating activities	(618,614)	(1,941,829)

Note 27: Share based payment arrangements**Description of the share based payment arrangements**

The following share based payment arrangements existed at 30 June 2013.

The terms and conditions related to the grant of share options are as follows; all options are to be settled by the physical delivery of shares.

<u>Grant date/ persons entitled</u>	<u>Number of options</u>	<u>Vesting conditions</u>	<u>Contractual life of option</u>
Options granted to an employee	1,000,000	1 year's service from	3 years
On 28 January 2011		the grant date	
	1,000,000	2 year's service from	2 years
		the grant date	
	1,000,000	3 year's service from	1 year
		the grant date	

On 28 January 2011, the Company issued three tranches of 1,000,000 options as consideration for employee services to M. Derriman. As a result of M. Derriman's resignation as an employee during May 2012, 2,000,000 of 3,000,000 options issued, were forfeited.

<u>Grant date/ persons entitled</u>	<u>Number of options</u>	<u>Vesting conditions</u>	<u>Contractual life of option</u>
Options granted to a director	350,000	1 year's service from	2 years
On 18 April 2011		the grant date	
	350,000	2 year's service from	2 years
		the grant date	

All options granted to directors or employees of Queensland Bauxite Limited, confer a right of one ordinary share for every option held.

<u>Grant date/ persons entitled</u>	<u>Number of options</u>	<u>Vesting conditions</u>	<u>Contractual life of option</u>
Options granted as corporate	5,000,000	-	3 years

fee payment

On 28 June 2013

All options granted as corporate fee payments, confer a right of one ordinary share for every option held.

Measurement of fair values

The fair value of the share based payments were measured based on the Black-Scholes formula. Expected volatility is estimated by considering historical volatility of the Company's share price over the period commensurate with the expected term.

Equity settled share based payments relating to employee benefits

The inputs used in the measurement of the fair values at grant date of the equity settled share based payments were as follows:

	2013	2012
Fair value at grant date	\$0.038	\$0.038
Share price at grant date	\$0.16	\$0.16
Exercise price	\$0.20	\$0.20
Expected volatility (weighted average)	30%	30%
Expected life (weighted average)	4.2 years	4.2 years
Risk-free interest rate	4.75%	4.75%

Equity settled share based payments relating to corporate fee payment

The inputs used in the measurement of the fair values at grant date of the equity settled share based payments were as follows:

	2013	2012
Fair value at grant date	\$0.001	-
Share price at grant date	\$0.007	-
Exercise price	\$0.03	-
Expected volatility (weighted average)	60%	-
Expected life (weighted average)	3 years	-
Risk-free interest rate	2.50%	-

Expense recognised in profit or loss

	Consolidated Entity	
	2013 \$	2012 \$
Equity settled share based payment transactions		
Employee benefits expense - share options granted in 2011 (Note 8)	5,732	16,711
Corporate fee – share options granted in 2013	12,500	-
Total expense recognised for equity settled share based payments (Note 8)	18,232	16,711

Reconciliation of outstanding share options

	2013 Number of options	2013 Weighted average exercise price	2012 Number of options	2012 Weighted average exercise price
Outstanding at the beginning of the year	16,700,000	0.27	18,700,000	0.26
Granted	12,500,000	0.03	-	-
Forfeited	-	-	(2,000,000)	0.40
Exercised	-	-	-	-
Expired	(10,000,000)	0.25	-	-
Outstanding at year-end	19,200,000	0.10	16,700,000	0.27
Exercisable at year-end	19,200,000	0.10	16,350,000	0.27

The options outstanding at 30 June 2013 have an exercise price in the range of \$0.03 to \$0.25 (2012: \$0.20 to \$0.30) and a weighted average contractual life of 2.5 years (2012: 2.5 years).

There were no options exercised during the year ended 30 June 2013 (2012: Nil).

Note 28: Related parties disclosures

Identity of related parties

The consolidated entity has related party relationships with its subsidiaries, its key management personnel, and companies related due to common directorships, Pnina Feldman, Sholom Feldman and Paul Stephenson, being directors of both the Queensland Bauxite Limited and the director related companies.

Related party transactions with Australian Gemstone Mining Pty Limited

The Company and Australian Gemstone Mining Pty Limited (AGMPL) are parties to a management services agreement (Management Services Agreement) dated 1 July 2007, for the provision by AGMPL of executive and corporate services, including geological and technical expertise, to the Company by the following executives:

- Pnina Feldman – Executive Director, Business Development;
- Dr Robert Coenraads – Principle Geologist, Exploration and Mining; and
- Sholom Feldman – Chief Executive Officer and Company Secretary.

In respect of each of these executives (Key Management Personnel), AGMPL was paid a retainer for the period ended 30 June 2013. The Company was also reimbursed for all reasonable expenses incurred by or on behalf of the Key Persons.

- AGMPL is a company owned and controlled by Pnina Feldman.

Each of Pnina Feldman, Robert Coenraads and Sholom Feldman has entered into an executive services agreement with AGMPL. Each of these executive services agreements contains standard provisions dealing with employment obligations and standard covenants dealing with general duties and the protection of AGMPL's interests and mirrors the Management Services Agreement in respect of termination provisions.

AGMPL also provided suitable fully serviced offices to the Company at its Bondi offices at 67 Penkivil St, which includes use of office space, the board room, kitchen, daily cleaning, and essential office infrastructure, including telephones, fax, printer, broadband internet connections and suitable office furniture.

AGMPL also provided additional administrative services to the Company, such as secretarial, accounting and office management services. These services were provided to the Company by AGMPL on reasonable arm's length terms as approved by the independent director(s).

AGMPL services	2013	2012
	\$	\$
Rent	85,464	139,476
Management and secretarial	39,000	133,020
Exploration and geological	162,389	326,964
Executive and corporate services	168,000	332,580
Consulting fees – Mrs P Feldman	-	50,000
Reimbursement of expenses	5,968	23,498
Total	460,821	1,005,538

Amounts owed to AGMPL included in trade payables as at 30 June 2013 is \$NIL (2012:\$5,000).

Other transactions with related parties

The Company engaged HWL Ebsworth Lawyers to provide legal, contractual and consulting services on a fee for service basis at commercial rates. Paul Stephenson, a director of QBL, is a partner in HWL Ebsworth. During the financial year ended 30 June 2013, HWL Ebsworth was paid \$21,388 (2012: \$52,352) for these services.

Loans advanced to director related companies

	2013	2012
	\$	\$
Volcan Australia Corporation Pty Ltd	1,200,000	1,200,000
Impairment recognised as at 30 June 2013	(1,200,000)	-
Due for repayment on 14 December 2012		
Volcan Australia Corporation Pty Ltd	72,882	70,223
Impairment recognised as at 30 June 2013	(72,882)	-
No due date for repayment.		
Australian Iron Ore Pty Ltd	1,292	1,292
No due date for repayment.		

The above loans are unsecured and interest free.

Loans payable to director related companies

New England Sapphire Corporation Pty Ltd (in liquidation)	100	100
No due date for repayment.		
Volcan Australia Corporation Pty Ltd	1,800	1,800
No due date for repayment.		

The above loans are unsecured and interest free.

Note 29: Financial instruments**a. Financial risk management**

The Group's financial instruments consist mainly of deposits with banks, trade and other receivables and trade and other payables.

The main risk the Group is exposed to through its financial instruments is interest rate risk.

Interest rate risk

The Group's exposure to interest rate risk, which is the risk that a financial instruments value will fluctuate as a result in changes in market interest rates and the effective weighted average interest rates on those financial assets and financial liabilities refer Note 29(b).

Foreign currency risk

The Group was not exposed to fluctuations in foreign currencies during the reporting period.

Credit risk

Neither the Group or the Company have any material credit or other risk exposure to any single receivable or group of receivables or payables under financial instruments entered into by the Group.

Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset.

The Group manages liquidity risk by monitoring forecast cash flows and ensuring that adequate cash reserves or unutilised borrowings are maintained.

The following are the remaining contractual maturities at the end of the reporting period of financial liabilities, including estimated interest payments:

30 June 2013		Contractual cash flows					
	Carrying amount \$	Total \$	2 months or less \$	2-12 months \$	1-2 years \$	2-5 years \$	More than 5 years \$
Non-derivative financial liabilities							
Convertible bonds	1,600,000	(1,600,000)	-	(128,000)	(1,472,000)	-	-

As disclosed in note 21, convertible bonds become repayable on demand if any event of default occurs under the Bond Agreement.

Price risk

The Group is not exposed to any material commodity price risk.

b. Financial Instrument composition and maturity analysis

The tables below reflect the contractual settlement terms for financial instruments of a fixed period of maturity, as well as management's expectations of the settlement period for all other financial instruments.

Consolidated Entity	Weighted average effective interest rate		Floating interest rate		Within one year		1 to 5 years		Non-interest bearing		Total	
	2013	2012	2013	2012	2013	2012	2013	2012	2013	2012	2013	2012
	%	%	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$

Financial assets:

Cash and cash equivalents	4.3%	4.5%	5,203,383	4,408,015	-	-	-	-	100	100	5,203,483	4,408,115
Trade and other receivables	-	-	-	-	-	-	-	-	208,986	94,566	208,986	94,566
Other non-current assets	-	-	-	-	-	-	-	-	1,292	1,271,515	1,292	1,271,515

Financial liabilities:

Trade and other payables	-	-	-	-	-	-	-	-	339,923	309,102	339,923	309,102
Loans and other borrowings	8.0%	-	-	-	128,000	-	1,472,000	-	-	-	1,600,000	-
Other financial liabilities	-	-	-	-	-	-	-	-	1,900	1,900	1,900	1,900
Hire purchase liabilities	-	7.5%	-	-	-	11,686	-	29,214	-	-	-	40,900

c. Fair values vs carrying amounts

The fair values of financial assets and liabilities, together with carrying amounts shown on the statement of financial position, are as follows:

2013 Total Carrying Amount \$	2013 Fair Value \$	2012 Total Carrying Amount \$	2012 Net Fair Value \$
---	-----------------------------	---	---------------------------------

Financial Assets

Cash and cash equivalents	5,203,483	5,203,483	4,408,115	4,408,115
Trade and other receivables	208,986	208,986	94,566	94,566
Other financial assets	1,292	1,292	1,271,515	1,271,515

Financial Liabilities

Trade and other payables	339,923	339,923	309,102	309,102
Other financial liabilities	1,900	1,900	42,800	42,800
Loans and borrowings	1,600,000	1,600,000	-	-

Note 30: Parent entity disclosures

	2013	2012
	\$	\$

As at and throughout the financial year ending 30 June 2013, the parent entity of the Group was Queensland Bauxite Limited.

Financial Position of parent entity at year end**Assets**

Current assets	5,422,623	4,512,835
Non-current assets	923,365	4,127,602
Total assets	<u>6,345,988</u>	<u>8,640,437</u>

Liabilities

Current liabilities	1,948,464	318,147
Non-current liabilities	-	66,914
Total liabilities	<u>1,948,464</u>	<u>385,061</u>

Total equity of the parent entity comprising of:

Issued capital	13,559,013	13,559,013
Share based payment reserve	2,409,750	3,463,518
Accumulated losses	(11,571,239)	(8,767,155)
Total Equity	<u>4,397,524</u>	<u>8,255,376</u>

Financial Performance

Loss for the year	(3,876,084)	(47,568)
Other comprehensive income	-	-
Total comprehensive income for the year	<u>(3,876,084)</u>	<u>(47,568)</u>

Note 31: Company details

The registered office of the Company and principal place of business is:

Queensland Bauxite Limited
67 Penkivil Street
Bondi, NSW 2026

Note 32: Contingent liabilities

The Company may be liable for bank guarantees of \$40,000 in relation to mining tenements exploration commitments.

Note 33: Segment reporting

The Group consists of one business segment operating predominately in Australia and investing in mineral exploration and identification of potential mining assets for acquisition and development. The financial results from this segment are equivalent to the statement of profit or loss and other comprehensive income. The accounting policies applied for internal reporting purposes are consistent with those applied in preparation of these financial statements.

Note 34: Events subsequent to balance date

Further bauxite tenements have been secured by QBL as detailed earlier in this report. On 10 September 2013, 24,000,000 shares were issued to corporate advisors and brokers in lieu of past and ongoing corporate advisory fees. There has not arisen in the interval between the end of the financial year and the date of this report any further item, transaction or event of a material and unusual nature likely, in the opinion of the directors of the company, to affect significantly the operations of the company, the results of those operations, or the state of affairs of the company, in future financial years.

Directors' Declaration

1. In the opinion of the directors of Queensland Bauxite Limited ("the Company"):
 - a. the consolidated financial statements and accompanying notes that are set out on pages 34 to 66, and the Remuneration Report on pages 21 to 25 of the Directors' Report, are in accordance with the *Corporations Act 2001*, including:
 - i. giving a true and fair view of the Group's financial position as at 30 June 2013 and of its performance for the financial year ended on that date; and
 - ii. complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and
 - b. there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable;
2. The directors have been given the declaration required by Section 295A of the Corporations Act 2001 from the chief executive officer and chief financial officer for the financial year ended 30 June 2013.
3. The directors draw attention to note 2(a) to the consolidated financial statements which includes a Statement of Compliance with International Financial Reporting Standards (IFRSs).

This declaration is made in accordance with a resolution of the Board of Directors and is signed for and on behalf of the directors by:



Pnina Feldman, Chairperson

Dated this 16th day of September 2013

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF QUEENSLAND BAUXITE LIMITED

Report on the Financial Report

We have audited the accompanying financial report of Queensland Bauxite Limited, which comprises the statement of financial position as at 30 June 2013, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. In note 1, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that compliance with the Australian equivalents to International Financial Reporting Standards ensures that the financial report, comprising the financial statements and notes, complies with International Financial Reporting Standards.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Sydney Office

Level 16, 1 Market Street, Sydney NSW 2000
PO Box H195, Australia Square NSW 1215
p +61 2 9251 4600, f +61 2 9251 7138
info@nxiacourt.com.au, www.nexia.com.au

Independent member of Nexia International



Nexia Court & Co (ABN 71 502 156 733) is an independent New South Wales firm of chartered accountants using the Nexia International trademark under licence. It is affiliated with, but independent from, Nexia Australia Pty Ltd, which is a member of Nexia International, a worldwide network of independent accounting and consulting firms. Neither Nexia International nor Nexia Australia Pty Ltd provide services to clients. Liability limited by a scheme approved under Professional Standards Legislation other than for the acts or omissions of financial services licensees.

Independence

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001* would be in the same terms if it had been given to the directors at the time that this auditor's report was made.

Auditors' Opinion

In our opinion:

- (a) the financial report of Queensland Bauxite Limited is in accordance with the *Corporations Act 2001*, including:
 - (i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2013 and of its performance for the year ended on that date; and
 - (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*; and
- (b) the financial report also complies with International Financial Reporting Standards as disclosed in note 1.

Report on the Remuneration Report

We have audited the Remuneration Report included in pages 21 to 25 of the directors' report for the year ended 30 June 2013. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Auditors' Opinion

In our opinion, the Remuneration Report of Queensland Bauxite Limited for the year ended 30 June 2013, complies with section 300A of the *Corporations Act 2001*.

A handwritten signature in black ink, appearing to read 'A Hoffmann', with a long horizontal line extending to the right.

Andrew Hoffmann
Partner

A handwritten signature in black ink, appearing to read 'Nexia Court & Co', with a stylized 'o' at the end.

Nexia Court & Co
Chartered Accountants

Sydney
16 September 2013

Additional Information – as at 12 September 2013

Additional information required by the ASX Limited Listing Rules and not disclosed elsewhere in this report is set out below:

Distribution schedule and number of holders of equity securities as at 12 September 2013

	1 – 1,000	1,001 – 5,000	5,001 – 10,000	10,001 – 100,000	100,001 and over	Total
Fully Paid Ordinary Shares (QBL)	9	22	64	186	143	424
Unlisted Options – 25c 30/06/14	-	-	-	-	1	1
Unlisted Options – 20c 31/12/14	-	-	-	-	1	1
Unlisted Options – 30c 31/12/15	-	-	-	-	1	1
Unlisted Options – 25c 31/12/15	-	-	-	-	1	1
Unlisted Options – 5c 31/12/15	-	-	-	-	1	1
Unlisted Options – 3c 02/07/16	-	-	-	-	1	1

The number of holders holding less than a marketable parcel of fully paid ordinary shares as at 26 August 2013 is 231.

20 largest holders of quoted equity securities as at 12 September 2013

The names of the twenty largest holders of fully paid ordinary shares (ASX code: QBL) as at 26 August 2013 are:

RANK	NAME	NUMBER	PERCENTAGE
1	VOLCAN AUSTRALIA CORPORATION PTY LTD	105,000,000	35.75
2	ZENIX NOMINEES PTY LTD	22,400,000	7.63
3	GLENEAGLE SECURITIES NOMINEES PTY LIMITED	12,500,000	4.26
4	LBT CORP PTY LTD	10,000,000	3.41
5	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	8,283,198	2.82
6	CAPITA TRUSTEES LIMITED <BAM 2006 PP RE PEGUM A/C>	7,141,127	2.43
7	RJL INVESTMENTS PTY LIMITED	7,000,000	2.38
8	DR SALIM CASSIM	6,121,876	2.08
9	RENLYN BELL INVESTMENTS PTY LTD	6,060,000	2.06
10	SPRINGTIDE CAPITAL PTY LTD <COCKATOO VALLEY INVEST	5,255,236	1.79
11	ROTHERWOOD ENTERPRISES PTY LTD	5,058,000	1.72
12	ALCARDO INVESTMENTS LIMITED	3,666,857	1.25
13	MRS JULIE AVOTINS	3,566,046	1.21
14	1 FIRECRACKER FACTORY PTY LIMITED	3,453,718	1.18
15	MR GREGORY VINCENT BEIRNE + MS JOSEPHINE ANNE BEIRNE	3,000,000	1.02
16	KLIP PTY LTD <BEIRNE SUPER FUND A/C>	3,000,000	1.02
17	NORONEKE MASTER FUND LTD	2,972,385	1.01
18	LUPA AND COMPANY PTY LTD	2,705,337	0.92
19	C W JOHNSTON PTY LTD <C W JOHNSTON SUPER FUND A/C>	2,622,155	0.89
20	L'HAYYIM PTY LIMITED <770 UNIT A/C>	2,252,166	0.77
	TOTAL	222,058,101	75.60
	REMAINDER	71,635,091	24.40
	GRAND TOTAL	273,863,192	100.00

Stock Exchange Listing – Listing has been granted for all ordinary fully paid shares of the Company on issue on ASX Limited.

Substantial shareholders

Substantial shareholders in Queensland Bauxite Limited and the number of equity securities over which the substantial shareholder has a relevant interest as disclosed in substantial holding notices given to the Company are listed below:

	No. Shares Held	% of Issued Capital
VOLCAN AUSTRALIA CORPORATION PTY LTD	105,000,000	35.75%
ZENIX NOMINEES PTY LTD	22,400,000	7.63%

Unquoted Securities

The number of unquoted securities on issue as at 12 September 2013:

Unquoted Securities	Number on Issue	Exercise Price	Expiry Date
Unquoted Options	65,000,000	5c	31/12/15
Unquoted Options	5,000,000	25c	30/06/14
Unquoted Options	350,000	20c	31/12/14
Unquoted Options	350,000	30c	31/12/15
Unquoted Options	1,000,000	25c	31/12/15
Unquoted Options	12,500,000	3c	02/07/16

Names of persons holding more than 20% of a given class of unquoted securities (other than employee options) as at 12 September 2013

Security	Name	Number of Securities
Unlisted Options - 5c 31/12/15 -	Volcan Australia Corporation Pty Ltd	65,000,000

Restricted Securities as at 12 September 2013

There are no restricted shares or options.

Voting Rights

All fully paid ordinary shares carry one vote per ordinary share without restriction.

Unlisted options have no voting rights.

Schedule of Mineral Tenements as at 12 September 2013

Project Name			Interest Held %
Pilbara Gold Project			
Pilbara	E47/1153	Granted	100%
Lost River Project			
Lost River	EL7409	Granted	100%
Eastern Australia Bauxite Projects			
Bukkulla	ELA4840	Application	100%
Emmaville	ELA4841	Application	100%
Inverell west 1	EL 7274	Granted	70%
Inverell west 2	EL 7275	Granted	70%
Inverell west 3	EL 7276	Granted	70%
Inverell west 4	EL 7277	Granted	70%
Inverell west 5	EL 7278	Granted	70%
Atherton	EPM 18138	Application	100%
Ravenshoe	EPM 18140	Application	100%
Regius Coal Mozambique			
Tete Province Mozambique	EL 4169	Granted	Right to earn up to 51% of 85%
East Tete Province	EL 4070	Granted	Right to Earn up to 51% of 80%